GREAT-WEST LIFE ANNUAL REPORT 2001

THE
Great-West Life
ASSURANCE COMPANY

Your Source for Financial Security

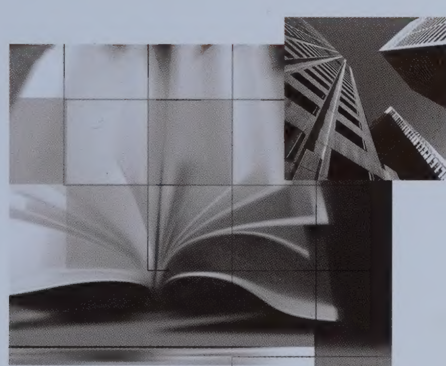


Table of Contents

Forward Looking Statements

This annual report may contain forward looking statements. Please see the note on page 9 for more information on these statements.

Your Source for Financial Security

Corporate profile

The Great-West Life Assurance Company is a leading insurer in Canada, offering a broad portfolio of financial and benefits plan solutions for individuals, families, businesses and organizations. In addition to its domestic operations, the Company is a supplier of reinsurance in the United States and Europe. Great-West and its subsidiary, London Life Insurance Company, serve the financial security needs of more than nine million Canadians through a network of Great-West and Freedom 55 Financial™ security advisors, through brokers and marketing agreements with other financial institutions. Founded in 1891, Great-West has nearly $54 billion in assets under administration. Great-West and London Life are members of the Power Financial Corporation group of companies.

Financial Highlights

(in millions of dollars except per common share amounts)

	Canada 2001	Canada 2000	% Change	U.S [1] 2000	Total [1] 2001	Total [1] 2000
For the Year						
Premiums:						
Life insurance, guaranteed annuities and insured health products	**$ 3,996**	$ 3,748	7%	$ 3,350	**$ 3,996**	$ 7,098
Reinsurance and property and casualty	**3,455**	2,878	20%	–	**3,455**	2,878
Self-funded premium equivalents (ASO contracts) [2]	**1,238**	1,102	12%	7,695	**1,238**	8,797
Segregated funds deposits: [2]						
Individual products	**1,586**	1,817	-13%	959	**1,586**	2,776
Group products	**1,045**	1,673	-38%	3,652	**1,045**	5,325
Total premiums and deposits	**11,320**	11,218	1%	15,656	**11,320**	26,874
Fee and other income	**391**	346	13%	1,295	**391**	1,641
Paid or credited to policyholders	**8,308**	7,423	12%	3,951	**8,308**	11,374
Summary of net income attributable to:						
Participating policyholder						
Net income before policyholder dividends [3]	**602**	559	8%	185	**602**	744
Policyholder dividends	**584**	536	9%	181	**584**	717
Net income – participating policyholder	**18**	23	-22%	4	**18**	27
Shareholder						
Preferred shareholder dividends	**25**	31	-19%	6	**25**	37
Net income – common shareholder [3]	**258**	268	-4%	386	**258**	654
	283	299	-5%	392	**283**	691
Net income	**$ 301**	$ 322	-7%	$ 396	**$ 301**	$ 718
Return on common shareholder equity					**14.9%**	19.1%

	Total 2001	Total 2000
Per Common Share		
Net earnings	**$ 214.90**	$ 274.95
Dividends paid		
– regular	**168.40**	140.00
– special	–	31.53
Book value	**1,527.00**	1,417.00

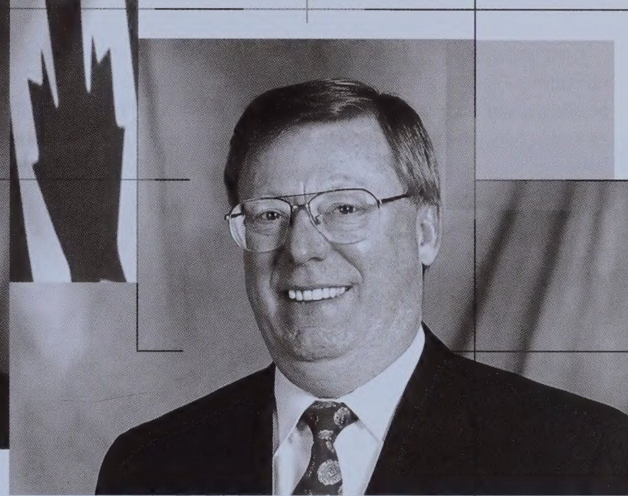
	Canada 2001	Canada 2000	% Change	U.S 2000	Total 2001	Total 2000
At December 31						
Total assets	**$ 34,671**	$ 33,037	5%	$ 271	**$ 34,671**	$ 33,308
Segregated funds assets [2]	**19,093**	18,682	2%	–	**19,093**	18,682
Total assets under administration	**$ 53,764**	$ 51,719	4%	$ 271	**$ 53,764**	$ 51,990
Participating policyholder equity					**$ 1,246**	$ 1,227
Shareholder equity					**2,147**	2,221
Total policyholder and shareholder equity					**$ 3,393**	$ 3,448

(1) *Corporate Reorganization*
The consolidated presentation for 2001 does not include results for Great-West Life & Annuity Insurance Company (GWL&A), which until December 31, 2000 was a wholly-owned United States subsidiary of Great-West. As part of a corporate reorganization on December 31, 2000, the Company conveyed ownership interest in GWL&A to a subsidiary of its parent, Great-West Lifeco Inc., effective December 31, 2000 (see note 2 of the Company's 2000 financial statements).

(2) *Segregated funds deposits and self-funded premium equivalents (ASO contracts)*
The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.
Both segregated fund and ASO contracts are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

(3) *Results include a charge of $73 million after-tax in the shareholder account and $9 million after-tax in the participating policyholder account from the events of September 11, 2001, related to the reinsurance business.*

James W. Burns *Chairman of the Board*



Raymond L. McFeetors *President and Chief Executive Officer*

Your Source for Strength

Support, choices, commitment, service, balance and stability. These are the strengths that Great-West can offer as a leading source of financial security solutions for Canadians. For clients, it means a broad array of products and services that deliver value and meet the financial security needs of themselves, their families and their businesses. For financial security advisors and group representatives, it's products, services and support that help ensure their success.

In 2001, sales showed strong growth in two major lines – reinsurance, which increased 20% over 2000, and group insurance, which grew by 26%. Although sales in our retirement and investment product lines declined 32% from 2000 levels, that comparison includes one record-setting pension case reported in 2000, and reflects the difficult market conditions of 2001.

Revenue premium increased slightly over 2000. Among the positive factors influencing revenue premium was the strong persistency of our business in force, which is an indication of a high level of client satisfaction with our products and services, and a clear reflection of the value the Company's distribution systems offer clients, particularly in a difficult economy.

Fee income showed consistent growth, up 13% over 2000. Total assets under administration grew to nearly $54 billion, with growth in general funds significantly above that of previous years.

Although the decline in equity markets depressed segregated funds sales and deposits, Great-West outperformed the Canadian market in individual segregated funds sales and maintained our leading market share in terms of net deposits and total assets. Individual segregated funds assets increased 5%, while the overall market saw a drop in segregated funds assets. Likewise, individual segregated funds withdrawals were significantly below the market's experience, again reflecting the value offered by our distribution systems. This result helped increase our market share in the individual segregated funds market, enhancing our leading market position.

We established a provision of $73 million in the shareholder account and $9 million in the participating account for potential reinsurance claims arising from the events of September 11, 2001. While total net income declined 7% to $301 million, reflecting this provision, the underlying net income from the other lines of business – individual insurance, retirement and investment products, and group insurance – increased sharply. We expect the reinsurance market to improve substantially in 2002, with increased premium rates and improved terms and conditions.

For participating policyholders, net income before policyholder dividends grew 8% to $602 million, while policyholder dividends increased 9%. After policyholder dividends of $584 million, net income declined to $18 million from $23 million. For shareholders, net income declined 4% to $258 million.

For 2001, we maintained the dividend scale for participating policyholders. The participating account experienced favourable mortality and continued good expense performance, although investment returns declined. This performance continued to place Great-West among the best in terms of dividends to policyholders.

Great-West's and London Life's Minimum Continuing Capital and Surplus Requirements (MCCSR) ratios were 199% and 208% respectively at the end of 2001, an increase from 196% and 199% respectively at the end of 2000. In addition to a strong result in this key measure of financial strength, Great-West continues to receive superior ratings on our claims-paying ability and financial strength from major rating agencies. As part of a general review of the industry following September 11, Moody's Investors Service confirmed our ratings, but changed its rating outlook from stable to negative. This change reflected Moody's assessment of uncertainties inherent in estimates of losses arising from September 11. Great-West has made provision for estimated losses in our reinsurance business, which are well within our capacity to absorb.

Your Source for Service

Group benefits

Great-West has long been a leader in the Canadian group benefits marketplace. The Company has established this position through a combination of low unit costs, commitment to customer service, and a comprehensive array of products and services designed to help clients find cost-effective solutions to their benefits plan needs. These are delivered through an extensive distribution system that encompasses Great-West and Freedom 55 Financial security advisors and Investors Group consultants, plus representatives of other major financial institutions and national employee benefits consulting firms.

Emerging technologies and the Internet offer enormous potential to continue to press home these strategic advantages, and enhance the services available for clients. The Group Division is focused on developing new tools to expand our markets and distribution and service capacity. One area of particular interest is allowing plan sponsors, plan members and producers direct and expanded access to Great-West's administration and claims systems to perform real-time transactions, and access online benefits and claims information.

Great-West was the first insurer in Canada to offer Internet-based benefits services, with the introduction of *GroupNet*™ in 1996. Since then, we have continued to build on the service. This past year, Great-West expanded *GroupNet* to small group clients, and enhanced *GroupNet's* effectiveness with the addition of an enrollment feature. Not only will clients always have access to up-to-date information, but new plan members and their dependants can now take advantage of their benefits plan immediately. We also introduced an extensive array of online disability management information reports and analysis models, designed to support clients in their management of this important employee benefit.

After a successful trial period, we launched our *Sonata Health*™ benefits plan nationwide. *Sonata Health* is geared towards individuals and their families who don't have access to benefits plans through an employer.

Your Source for Balance

Individual insurance

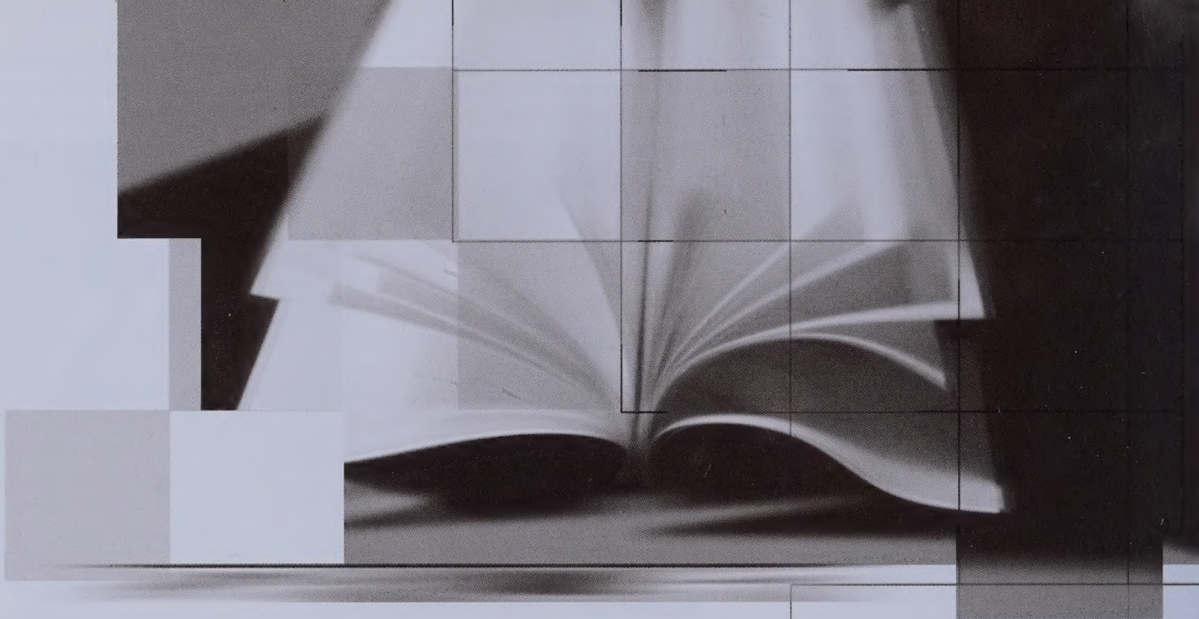
Along with our subsidiary, London Life, we offer a broad portfolio of life and health insurance products that Canadians rely on to manage the financial risks associated with illness and loss.

The Canadian market for individual insurance is highly competitive, and new growth opportunities are limited. Our strategy in this market has been to concentrate manufacturing capabilities on products where we have the expertise and market share to be competitive, and to augment our product offerings through agreements with other leading insurers. Many of Great-West's products – in particular, disability and critical illness insurance as well as group benefits plans for small employers – are also marketed through a number of other major financial services companies. This diversification in distribution and product offerings has resulted in ongoing growth in sales.

Great-West also continues to reap a competitive advantage from its innovative product and marketing support network, *The Resource Centre*™. Unique in the industry, *The Resource Centre* offers financial security advisors a comprehensive portfolio of financial security planning products and an unparalleled range of support services – from advice on how to present a concept to a client, to product information and access to tax and estate planning expertise, investment experts and residential mortgage specialists.

Electronic application forms and a variety of specialty Web sites round out the support that helps make Great-West and London Life the companies of choice for many financial security advisors.

There is a growing awareness among Canadians of the need to plan for unexpected illness. In 2001, we enhanced our *Oasis*™ critical illness product, already one of the most flexible, competitive and affordable products on the market. As well, we expanded our distribution network for this product through agreements with two leading Canadian life insurers.



Your Source for Choices

Wealth accumulation and management
Canadians continue to choose segregated funds and mutual funds as their main vehicles for accumulating wealth.

The launch of expanded mutual fund dealer *Quadrus Investment Services Ltd.*™ in 2000 was an important step in this market for Great-West and London Life. Since then, Quadrus has become one of the largest mutual fund dealers in Canada in terms of the number of investment representatives, with more than 2,600 licensed representatives.

This year, Quadrus worked with Mackenzie Financial, a subsidiary of sister company Investors Group, to benefit from their information technology and other areas of expertise. The *Quadrus Group of Funds*™ was moved to an administrative platform managed by Mackenzie, providing mutual funds clients with enhanced service. Year-end statements have been simplified and offer enhanced information. As well, Quadrus launched labour-sponsored investment funds.

Segregated funds continue to be the mainstay of Great-West and London Life's wealth accumulation and retirement planning businesses. The Companies are the leading segregated funds providers in Canada, managing over $19 billion in assets on behalf of clients.

While many companies are retreating from the segregated funds market because of increased capital and reserve requirements, Great-West sees continued opportunity. We believe there is enormous growth potential, especially among small business owners and affluent investors concerned with wealth preservation.

Great-West opened the year with 12 new segregated funds, introduced in December 2000, including specialty sector funds such as ethical, science and technology, and emerging markets. Through their Great-West financial security advisor, clients can now access more than 50 segregated funds and 40 exclusive mutual funds. Subsidiaries GWL Investment Management Ltd. and GWL Realty Advisors Inc. provide their specialized expertise either as fund managers for many of these segregated funds, or through investment and advisory services for more than 200 institutional clients.

This year Great-West tapped into this expertise to assist affluent clients with the management of their retirement and investment portfolios. Investment experts associated with GWL Investment Management are available to assist financial security and investment representatives with the design of customized investment portfolios for clients with $500,000 or more to invest.

Your Source for Support

Canada's "mass affluent" and "high-net-worth" markets have doubled since 1993 and continue to grow quickly. Great-West took a number of steps in 2001 to enhance our capacity to meet the growing needs of clients in these markets.

In 2001, Great-West continued to expand life insurance sales in the high-net-worth market through our industry-leading field support network. This network comprises field-based product specialists, Tax & Estate Planning Group consultants, and head office based accountants, lawyers and actuaries who provide technical support and expertise for financial security advisors working with higher net-worth clients.

Reinsurance operations London Reinsurance Group (LRG) is a successful international niche reinsurance company. LRG offers financial management reinsurance products, directly and through brokers, to assist insurers and reinsurers throughout the world in managing their financial issues.

The cornerstone of LRG's business philosophy is building strong relationships. The Company will only offer reinsurance to those companies with which it can build trusting, long-term relationships that will benefit both LRG and its clients.

The strength of this philosophy, LRG's financial stability and quality people, were highlighted by the environment of the last three years, and in particular the events of September 11. LRG expects to recover most of the September 11 losses over the next three to four years, and remains committed to its relationships with its core life and property and casualty clients for 2002 and beyond.

Your Source for Commitment

Through our national program for community relations, we strive to make a lasting and positive difference by supporting long-term initiatives with organizations that are seeking innovative solutions to community needs. Our philosophy is best expressed in how we describe our program: *stronger communities together.* We focus our financial support in the areas of education, health and wellness, arts and culture, and community programs.

Over the past year, we've participated in several new initiatives responding to contemporary education needs, including a number of post-secondary scholarships as well as enhanced partnerships with Frontier College and the National Aboriginal Achievement Foundation. We've also worked to address health concerns through supporting the development of centres of medical excellence. For example, in 2001, together with London Life, we established the Post-Doctoral Fellowship in Traumatic Brain Injury with St. Michael's Hospital Foundation. We also contributed a total of $500,000 to the London Regional Cancer Centre and Robarts Research Institute, to help launch "tomotherapy", the next wave of cancer detection and therapy.

These are in addition to the ongoing support of many worthy community causes across Canada, including annual donations of more than $1 million to the United Way through corporate donations and workplace campaigns. As well, many staff, representatives and financial security advisors play an active role in charities across Canada. We recognize their community leadership by supporting the qualifying initiatives with which they're involved.

Your Source for Strength over Time

Over time, Great-West has continued to be a source of financial security solutions for clients, and of rewarding and challenging career opportunities for staff, representatives and financial security advisors.

The people in our sales and service offices across Canada, and in our head office in Winnipeg, are a constant source of innovation, dedication and expertise. These attributes are what make our Company and our communities strong. On behalf of the Board of Directors we thank them for their efforts. To our clients and shareholders, we extend our appreciation for your continued support.

James W. Burns
Chairman of the Board

Raymond L. McFeetors
President and
Chief Executive Officer

Table Of Contents

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the financial position and performance of The Great-West Life Assurance Company (Great-West) in 2001 compared with 2000. The MD&A provides an overall discussion, followed by analysis of the performance of the Company's major reportable segments.

Businesses

Through Great-West and its major subsidiary, London Life Insurance Company (London Life), a wide range of life and health insurance, and retirement and investment products are sold to individuals, businesses and other private and public organizations in Canada. As well, Great-West offers specialty reinsurance products and general insurance products in specific niche markets through its subsidiaries, London Reinsurance Group Inc. and London Guarantee Insurance Company.

Forward-looking Statements

This report may contain forward-looking statements about future operations, financial results, objectives and strategies of the Company. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate" and other similar expressions.

These statements are necessarily based on estimates and assumptions that are subject to risks and uncertainties, many of which are beyond the Company's control. Actual results may differ materially due to a variety of factors, including legislative or regulatory developments, competition, technological change, global capital market activity, interest rates and general economic conditions in Canada, North America or internationally.

These and other such factors should be taken into consideration when reading the Company's forward-looking statements.

Translation of United States Dollars

Throughout this report, United States dollar assets and liabilities are translated into Canadian dollars at the market rate at December 31 for the respective years. All income and expense items are translated at an average rate for the year. The rates employed by year are:

Years ended December 31	Balance Sheet	Operations
2001	$ 1.5930	$ 1.5490
2000	1.5000	1.4853
1999	1.4433	1.4856

2001 CONSOLIDATED OPERATING RESULTS

Selected Consolidated Financial Information

(in $ millions, except per common share amounts)

	Canada			U.S. (1)	Total (1)	
	2001	2000	% Change	2000	**2001**	2000
For the Year						
Premiums:						
Life insurance, guaranteed annuities and insured health products	$ 3,996	$ 3,748	7%	$ 3,350	$ 3,996	$ 7,098
Reinsurance and property and casualty	3,455	2,878	20%	–	3,455	2,878
Self-funded premium equivalents (ASO contracts) (2)	1,238	1,102	12%	7,695	1,238	8,797
Segregated funds deposits: (2)						
Individual products	1,586	1,817	-13%	959	1,586	2,776
Group products	1,045	1,673	-38%	3,652	1,045	5,325
Total premiums and deposits	11,320	11,218	1%	15,656	11,320	26,874
Fee and other income	391	346	13%	1,295	391	1,641
Paid or credited to policyholders	8,308	7,423	12%	3,951	8,308	11,374
Summary of net income attributable to:						
Participating policyholder						
Net income before policyholder dividends (3)	602	559	8%	185	602	744
Policyholder dividends	584	536	9%	181	584	717
Net income – participating policyholder	18	23	-22%	4	18	27
Shareholder						
Preferred shareholder dividends	25	31	-19%	6	25	37
Net income common shareholder (3)	258	268	-4%	386	258	654
	283	299	-5%	392	283	691
Net income	$ 301	$ 322	-7%	$ 396	$ 301	$ 718
Return on common shareholder equity					14.9%	19.1%
Per Common Share						
Net earnings					$ 214.90	$ 274.95
Dividends paid – Regular					168.40	140.00
– Special					–	31.53
Book value					1,527.00	1,417.00
At December 31						
Total assets	$ 34,671	$ 33,037	5%	$ 271	$ 34,671	$ 33,308
Segregated funds assets (2)	19,093	18,682	2%	–	19,093	18,682
Total assets under administration	$ 53,764	$ 51,719	4%	$ 271	$ 53,764	$ 51,990
Participating policyholder equity					$ 1,246	$ 1,227
Shareholder equity					2,147	2,221
Total participating and shareholder equity					$ 3,393	$ 3,448

(1) *Corporate Reorganization*

The consolidated presentation for 2001 does not include results for Great-West Life & Annuity Insurance Company (GWL&A), which until December 31, 2000 was a wholly-owned United States subsidiary of Great-West. As part of a corporate reorganization on December 31, 2000, the Company conveyed ownership interest in GWL&A to a subsidiary of its parent, Great-West Lifeco Inc., effective December 31, 2000 (see note 2 to the Company's 2000 consolidated financial statements).

(2) *Segregated funds deposits and self-funded premium equivalents (ASO contracts)*

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.

Segregated fund business is an option offered under an insurance annuity contract, where the benefit amount is directly linked to the market value of the investments held in the particular segregated account. The contractual arrangements are such that the segregated fund contract holder bears the risks and rewards of the account's investment performance apart from death and maturity benefit guarantees. ASO Group health contractual agreements are those where the Company provides administrative and claim paying services for clients, and under these arrangements, the client bears some or all of the claim risk. The self-funded premium equivalents generally represent claims paid under these contracts which approximate the additional premiums that would have been earned if these contracts had been written as traditional risk programs.

Both segregated fund and ASO contracts are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

(3) *Results include a charge of $73 million after-tax in the shareholder account and $9 million after-tax in the participating policyholder account from the events of September 11, 2001, related to the reinsurance business.*

Corporate Reorganization

On December 31, 2000, Great-West conveyed ownership of its United States subsidiary, Great-West Life & Annuity Insurance Company (GWL&A) to a newly formed subsidiary of Great-West Lifeco Inc. (Lifeco). Comparative operating results at December 31, 2000 have not been restated to exclude GWL&A. However, at December 31, 2001, financial statement information for Great-West is generally comparable to the Canadian segment operating results at December 31, 2000. Balance sheet values for December 31, 2000 exclude GWL&A and are comparable to December 31, 2001.

Quarterly Financial Information

(in $ millions, except per common share amounts)

			Net Income				
			Participating Policyholder			Common Shareholder	
		Total Revenue	Net Income Before Policyholder Dividends	Policyholder Dividends	Net (undistributed) Income [1]	Net Income	Earnings per Common Share
2001	Fourth quarter	$ 2,862	$ 172	$ 154	$ 18	$ 88	$ 73.06
	Third quarter [2]	2,482	135	146	(11)	11	8.95
	Second quarter	2,556	159	143	16	82	68.62
	First quarter	2,200	136	141	(5)	77	64.27
2000	Fourth quarter	$ 4,243	$ 172	$ 181	$ (9)	$ 177	$ 74.54
	Third quarter	3,705	186	184	2	167	70.16
	Second quarter	3,729	194	179	15	167	70.09
	First quarter	3,590	192	173	19	143	60.16

(1) *Net (undistributed) income for participating policyholders represents the in-year earnings for the account(s) after dividend distributions.*

(2) *Third-quarter 2001 includes a charge of $73 million in the shareholder account and $9 million in the participating account from the events of September 11, 2001.*

Net Income

Comparative 2000 operating results in the following discussion include the operations of GWL&A which were a part of Great-West's consolidated operations until December 31, 2000.

Great-West's net income for 2001 was $301 million, which compares to $718 million for 2000. Net income attributable to common shareholders decreased 61%, largely as a result of reorganization, to $258 million or $214.90 per share, compared to $654 million or $274.95 per share per share for 2000. The return on common shareholders' equity was 14.9% for the year ended December 31, 2001.

Net income for participating policyholders before policyholder dividends was $602 million against $744 million in 2000. Policyholder dividends were $584 million for 2001, compared to $717 million for 2000.

Net Income – Common Shareholders

(in $ millions)

	2001	2000
Net Income		
Canadian operations	$ 258	$ 268
United States operations	–	386
	$ 258	$ 654
Earnings Per Common Share		
Canadian operations	$ 214.90	$ 112.69
United States operations	–	162.26
	$ 214.90	$ 274.95
Average # of shares outstanding	1,200,772	2,378,666
Earnings Per Common Share – previous year adjusted [1]		
Canadian operations	$ 214.90	$ 223.40
United States operations	–	–
	$ 214.90	$ 223.40

(1) *Adjusted earnings per share is a pro forma calculation of the December 31, 2000 results on the basis that the corporate reorganization described in note 9 to the consolidated financial statements was effective January 1, 2000. The calculation employed income for only Canadian operations at December 31, 2000 and the average number of shares outstanding after the reorganization.*

For comparative Canadian operations, net income in 2001 reflected growth in fee income, strong investment performance and favourable mortality and morbidity experience, offset somewhat by a third-quarter claims provision of $73 million in the shareholder account and $9 million in the participating account from the events of September 11, 2001, related to the reinsurance business. Net income in 2001 also reflected a reduction in provisions for Canadian income taxes reflecting both changes in tax rates and revisions to the estimated pattern or incidence of future taxes to which tax rate reductions apply.

Total Assets Under Administration

Total assets under administration increased 3% in 2001 to $53.8 billion for continuing operations. General funds assets increased 4% overall, while segregated funds assets increased 2%.

Asset Quality

At December 31, 2001, exposure to mortgage loans and real estate was 31% of invested assets, compared with 32% a year earlier.

The Company's exposure to non-investment grade bonds was 1% of the portfolio at the end of 2001, the same level as at December 31, 2000.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure, totaled $49 million or 0.19% of portfolio investments at December 31, 2001, compared with $38 million or 0.15% a year earlier. The Company's allowance for credit losses at December 31, 2001 was $46 million compared with $43 million at year-end 2000.

Additional provisions for future credit losses on assets backing actuarial liabilities are included in actuarial liabilities and amounted to $374 million at December 31, 2001 ($327 million at December 31, 2000).

The combination of the allowance for credit losses of $46 million, together with the $374 million provision for future credit losses in actuarial liabilities represents 1.7% of bond, mortgage and real estate assets at December 31, 2001 (1.5% at December 31, 2000).

Asset Distribution

December 31 *(in $ millions)*	2001		2000	
Government bonds	$ 6,124	22%	$ 5,750	21%
Corporate bonds	10,144	36	10,026	37
Mortgages	7,392	27	7,522	28
Stocks	1,252	5	1,021	4
Real estate	1,072	4	1,042	4
Sub-total portfolio investments	25,984		25,361	
Cash & certificates of deposit	353	1	352	1
Policy loans	1,433	5	1,368	5
Total invested assets	$ 27,770	100%	$ 27,081	100%

Policy Liabilities

Reference is made to note 5 of Great-West's financial statements, Actuarial Liabilities, which presents the composition, nature, changes, assumptions and risk management issues associated with this significant balance sheet item.

Actuarial liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends, and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries.

Asset and liability cash flows are carefully matched to minimize the financial effects of a shift in interest rates. This practice has been in effect for several years and has shielded the Company's financial position from past significant interest rate volatility.

Commercial Paper and Other Loans

On November 23, 2001, Great-West issued $200 million of 6.74% Subordinated Debentures to Lifeco.

As described in note 6 to the financial statements, the Company now has $463 million of capital securities issued in Canada.

Capital Stock and Surplus

During 2001, the Company paid dividends of $168.40 per common share for a total of $203 million, and preferred share dividends of $25 million. This represents a decrease in regular common share dividends paid of 50% compared to 2000, due to the average number of shares outstanding having decreased by 50% as a result of the corporate reorganization December 31, 2000. A reduction in preferred share dividends of $12 million or 32% for the same period was due to the Company having redeemed $241 million of 5.20% preferred shares on December 17, 2001, and the Company having exchanged the preferred shares Series K and Series N for Common shares at December 31, 2000.

During the year, the Company issued 21,363 common shares at a stated value of $82 million to its parent company, Lifeco, in exchange for 3812774 Canada Inc., a wholly-owned subsidiary of Lifeco.

During 2001, the Company cancelled 9,623,809 Series L preferred shares of the Company at a stated value of $241 million. The discount of $2.00 per share or $19 million was recorded as an increase in surplus.

These activities, offset somewhat with the strong earnings from operations resulted in capital and surplus decreasing 1.6% to $3,393 million.

Financial Strength

The Office of the Superintendent of Financial Institutions Canada (OSFI) has specified a capital measurement basis for life insurance companies operating in Canada, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR). Great-West's MCCSR ratio at the end of 2001 was 199% (196% at the end of 2000). London Life's MCCSR ratio at the end of 2001 was 208% (199% at the end of 2000).

On October 5, 2001, Moody's Investors Service confirmed the ratings of the Company and its subsidiary London Life, but changed its rating outlook from stable to negative. The change in outlook reflected Moody's assessment of the uncertainty inherent in gross and net reinsurance loss estimates, in connection with the events of September 11, 2001.

On October 12, 2001, A.M. Best Co. downgraded the financial strength rating of London Life Reinsurance Company (LLRC) from A+ (Superior) to A (Excellent). LLRC, a wholly-owned subsidiary of London Reinsurance Group (LRG), conducts LRG's life and annuity reinsurance business, based in Blue Bell, Pennsylvania. The rating action aligns LLRC's rating with the A (Excellent) ratings currently assigned by A.M. Best to LRG's other operating companies, London Life & Casualty Reinsurance Corporation (St. Michael, Barbados) and London Life & General Reinsurance Company Limited (Dublin, Ireland).

All other financial ratings were reaffirmed by the rating agencies.

Ratings of Great-West and London Life

Rating Agency	Measurement	Ratings	
		Great-West	London Life
A.M. Best Company	Financial Condition and Operating Performance	A++*	A++*
Dominion Bond Rating Service	Claims Paying Ability	IC-1*	IC-1*
Fitch Ratings	Insurer Financial Strength	AAA*	AAA*
Moody's Investors Service	Insurance Financial Strength	Aa2	Aa2
Standard & Poor's Corporation	Insurer Financial Strength	AA+	AA+

** Highest rating available*

Risk Management and Control Practices

Risks Associated with Policy Liabilities

Insurance companies are in the business of assuming and managing risk. Depending on the product being offered, the risks vary. Products are priced for target levels of return, and as experience unfolds pricing assumptions are validated and profit emerges in each accounting period. Policy liabilities reflect reasonable expectations about future risk events, together with a margin. Although pricing on some products is guaranteed throughout the life of the contract, policy liability valuation requires updated assumptions to reflect emerging experience results. In this way, the balance sheet reflects the current outlook for future policyholder obligations.

The Board of Directors of Great-West has approved Standards of Sound Business and Financial Practice for both Pricing and Underwriting (Selection of Risks) of product offerings. Management is responsible for effective execution of these policies. A compliance process is in place for these policies. The Actuary is required to value the policy liabilities and report on the financial condition of each operating company. The Audit Committee of the Board reviews the work of the Actuary.

The significant risks and related monitoring and control practices of Great-West's operating companies are:

Mortality and Morbidity Risk
Many products provide benefits in the event of death. Benefits due to disabling conditions and medical or dental costs are also important product features. Research and analysis is continuously ongoing to provide the basis for pricing and valuation assumptions which properly reflect the markets where the Company is active.

Persistency (Policy Termination) Risk
Products are priced and valued to reflect the expected duration of contracts. This risk is important for expense recovery (higher costs are incurred in early contract years) and for long-term level premium products where costs increase by age and pricing assumes that some policyholders will discontinue their coverage. Annual research studies support pricing and valuation assumptions for this persistency risk.

Investment Yield Risk
Products are priced and valued based on the investment returns available on assets which back up the policy liabilities. Effective and continual communication between pricing, valuation and investment management is required to control this risk. Investment policies have been approved by the Boards of Directors of each operating company. These policies provide guidance on the mix of assets allowable for each product segment. Yield rates are derived from the actual mix of assets put in place. Products with longer

term cash flows and pricing guarantees carry more risk. Both pricing and valuation react to this risk by requiring higher margins where there is less yield certainty.

Reinsurance Risk
Products with mortality and morbidity risks have specific limits of Company retention approved by the Boards of Directors on the recommendation of the Actuary. These limits are reviewed and updated from time to time. The Company also takes advantage of financial risk transfer through reinsurance to enhance earnings. Companies providing reinsurance are reviewed for financial soundness as part of the ongoing monitoring process. The Company is also protected from catastrophic events through purchased coverage.

For additional information on these risks, refer to note 5(d), 5(e) and 5(f) of the Great-West financial statements.

Risks Associated with Invested Assets

The Company acquires and manages portfolios of assets to produce risk-adjusted returns in support of policyholder obligations and corporate profitability.

The Boards of Directors or the Executive Committees and the Investment and Credit Committees of the Boards of Directors annually approve Investment & Lending Policies, as well as Procedures and Guidelines. A comprehensive report on compliance with these policies, procedures and guidelines is presented to the Boards of Directors or Investment and Credit Committees annually, and the Internal Audit department conducts an independent review of compliance with investment policies, procedures and guidelines on a periodic basis.

The significant risks associated with invested assets that the Company manages, monitors and controls are outlined below.

Interest Rate Risk
Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change.

For asset/liability management purposes, the general funds are divided into segments. Assets in each segment are managed in relation to the liabilities in the segment. The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Derivative products are used only to hedge imbalances in asset and liability positions; they are not used for speculative purposes. Derivative products are traded with counterparties approved by the Board of Directors or the Investment and Credit Committee of the Board of Directors. They may include interest rate, foreign exchange and equity swaps, options, futures and forward contracts.

Credit Risk
It is Company policy to acquire only investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company. Guidelines specify minimum and maximum limits for each asset class.

Credit ratings for bonds are determined by recognized external credit rating agencies and/or internal credit review. These portfolios are monitored continuously and reviewed regularly with the Boards of Directors or the Investment and Credit Committees of the Boards of Directors.

Off-balance sheet credit risk is evaluated quarterly on a current exposure method, using practices that are at least as conservative as those recommended by regulators.

Liquidity Risk
The Company closely manages operating liquidity through cash flow matching of assets and liabilities and has approximately $15 billion in highly marketable securities.

Foreign Exchange Risk
Investments are normally made in the same currency as the liability. Any foreign currency assets acquired to back liabilities are converted using foreign exchange contracts.

Other Risks
The Company has established specific policy guidelines and monitoring procedures related to environmental risk management in the investment portfolios.

Derivative Instruments

The Company's risk management process governing the use of derivative instruments, includes:

- The Company acts only as an end-user of derivative products, not as a market maker.
- The Company has strict operating policies which:
  - prohibit the use of derivative products for speculative purposes,
  - permit transactions only with approved counterparties,
  - specify limits on concentration of risk,
  - document approval and issuer limits, and
  - document the required reporting and monitoring systems.

The Company's outstanding derivative products at December 31 and related exposures are described in note 13 of Great-West's financial statements.

Recent Accounting Pronouncements

In 2001, the Canadian Institute of Chartered Accountants released final standards on business combinations and goodwill and other intangible assets. These standards are nearly identical to U.S. GAAP standards, also released in 2001. Highlights are:

- elimination of pooling-of-interests accounting for business combinations.
- introduction of non-amortization impairment-only approach for goodwill and other intangible assets with an indefinite life.
- criteria for determining when an acquired intangible asset should be recognized separately from goodwill.
- standards are required to be adopted by public companies for fiscal years beginning (on or after) January 1, 2002.

The Company will adopt these standards and will stop amortizing goodwill effective January 1, 2002. Upon adoption of the new standards, the Company's existing goodwill will be analyzed to identify any amounts that should be recognized as separate intangible assets. The result could be a reclassification of amounts from goodwill to other intangible assets as at January 1, 2002.

The prescribed impairment testing of goodwill and other intangible assets will also be undertaken as part of this process during 2002.

The effect of the adoption of these new standards on the Company's financial position and results of operations has not yet been determined.

2001 OPERATING RESULTS

Financial Information – Canadian Operations
Years ended December 31 *(in $ millions)*

	2001			2000			
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total	% Change
Income:							
Premium income (1)	$ 6,125	$ 1,326	$ 7,451	$ 5,324	$ 1,302	$ 6,626	12%
Net investment income	1,332	926	2,258	1,259	927	2,186	3%
Fee and other income	391	–	391	346	–	346	13%
Total income	7,848	2,252	10,100	6,929	2,229	9,158	10%
Benefits and Expenses:							
Paid or credited to policyholders	6,465	1,843	8,308	5,560	1,863	7,423	12%
Other	860	275	1,135	819	260	1,079	5%
Net operating income before income taxes	523	134	657	550	106	656	–
Income taxes	156	116	272	167	83	250	9%
Net income before minority shareholder interests	367	18	385	383	23	406	-5%
Minority shareholder interests of London Insurance Group							
Preferred shareholder dividends	21	–	21	21	–	21	–
Minority shareholder interests	2	–	2	3	–	3	-33%
	23	–	23	24	–	24	-4%
Net income before goodwill amortization	344	18	362	359	23	382	-5%
Amortization of goodwill	61	–	61	60	–	60	2%
Net income	$ 283	$ 18	$ 301	$ 299	$ 23	$ 322	-7%

Summary of Net Income

Attributable to participating policyholder							
Net income before policyholder dividends	$ –	$ 602	$ 602	$ –	$ 559	$ 559	8%
Policyholder dividends	–	584	584	–	536	536	9%
Net income – participating policyholder	–	18	18	–	23	23	-22%
Attributable to shareholder							
Preferred shareholder dividends	25	–	25	31	–	31	-19%
Net income – common shareholder	258	–	258	268	–	268	-4%
	283	–	283	299	–	299	-5%
Net income	$ 283	$ 18	$ 301	$ 299	$ 23	$ 322	-7%
(1) *Excludes - segregated funds deposits*	$ 2,631	$ -	$ 2,631	$ 3,490	$ -	$ 3,490	-25%
- self-funded premium equivalents (ASO)	$ 1,238	$ -	$ 1,238	$ 1,102	$ -	$ 1,102	12%

Reference is made to note 17 of the Great-West financial statements, Segmented Information, for the presentation of Canadian Operations.

Net Income

Net Income by Segment **Years ended December 31** *(in $ millions)*	**2001**	2000	% Change
Attributable to Participating Policyholder			
Net income before policyholder dividends	$ 611	$ 559	9%
– events of September 11, 2001	(9)	–	–
Policyholder dividends	584	536	9%
Total	$ 18	$ 23	-22%
Attributable to Shareholder			
Preferred shareholder dividends	$ 25	$ 31	-19%
Common shareholder			
Group Insurance	$ 82	$ 66	24%
Individual Insurance & Investment Products	147	129	14%
Reinsurance & Specialty General Insurance			
– events of September 11, 2001	(73)	–	–
– other	33	34	-3%
Corporate	69	39	77%
Total	$ 258	$ 268	-4%
Total net income	$ 301	$ 322	-7%

Total net income from operations for 2001 was $301 million, compared to $322 million for 2000. Net income attributable to common shareholders was $258 million, down from $268 million for 2000.

Net income in 2001 reflected growth in fee income, strong investment performance and favourable mortality and morbidity experience, offset somewhat by a third-quarter claims provision of $73 million in the shareholder account and $9 million in the participating account from the events of September 11, 2001, related to the reinsurance business. Shareholder net income in 2001 also includes a reduction in provisions for Canadian income taxes, reflecting both changes in tax rates and revisions to the estimated pattern or incidence of future taxes to which tax rate reductions apply.

In terms of reportable segments, the increased net operating income reflects favourable group mortality and morbidity profitability from 2000 levels, and an increase in the Individual Insurance & Investment Products income, for both insurance and retirement products. For the Reinsurance & Specialty General Insurance segment, reduced net income is related to the third-quarter claims provision from the events of September 11, 2001.

Premiums and Deposits

Total premiums and deposits were up 1% overall from 2000 levels. Risk-based product premiums increased 12%, while self-funded premium equivalents (ASO contracts) were up 12%. Deposits to individual segregated funds decreased 13% largely due to the investment climate, and deposits to group accounts were down 38% reflecting the uneven incidence of large case sales by year.

2000 figures are shown in brackets

Within guaranteed or traditional risk premium income, annuity premiums declined largely due to the investment climate. Reinsurance and specialty general insurance premiums increased 20% related to both the property and casualty and life insurance lines. This segment of business can reflect significant revenue increases or decreases depending on the structure of the contract and often is not related to profitability.

Premiums and Deposits

Years ended December 31 *(in $ millions)*

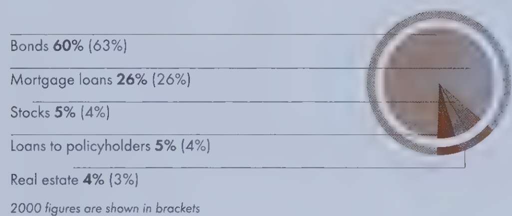
Business/Product	Premiums and Deposits 2001	Premiums and Deposits 2000	Premiums and Deposits % Change	Sales [1] 2001	Sales [1] 2000	Sales [1] % Change
Group Insurance						
Small/mid-sized case	$ 1,078	$ 967	11%	$ 168	$ 139	21%
Large case	2,186	2,007	9%	137	104	32%
Individual Insurance						
Life Insurance – Participating	1,326	1,302	2%	53	57	-7%
– Non-participating	279	262	6%	43	39	10%
Living Benefits	118	109	8%	22	20	10%
Retirement & Investment Services						
Individual products	1,692	1,958	-14%	2,366	2,947	-20%
Group products	1,186	1,735	-32%	529	1,283	-59%
Reinsurance & Specialty General Insurance	3,455	2,878	20%	3,455	2,878	20%
	$ 11,320	$ 11,218	1%	$ 6,773	$ 7,467	-9%
Summary by Type						
Risk-based products	$ 7,451	$ 6,626	12%			
ASO contracts	1,238	1,102	12%			
Segregated funds deposits:						
– Individual products	1,586	1,817	-13%			
– Group products	1,045	1,673	-38%			
Total premiums and deposits	$ 11,320	$ 11,218	1%			

(1) *Excludes Quadrus distributed mutual funds.*

Net Investment Income

Years ended December 31
(in $ millions)

	2001	2000	% Change
Gross investment income	$ 2,272	$ 2,201	3%
Less: Investment expenses	14	15	-7%
Net investment income	$ 2,258	$ 2,186	3%



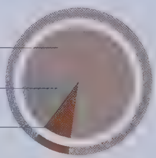
Net investment income for 2001, representing the investment revenues from general funds assets (excludes segregated funds assets) increased 3% from 2000, primarily on increased portfolio assets.

Fee Income

Years ended December 31

(in $ millions)	**2001**	2000	% Change
Segregated funds	$ 300	$ 268	12%
ASO contracts	61	51	20%
Other	30	27	11%
	$ 391	$ 346	13%

Fee income is derived from the management of segregated funds assets and the provision of group health ASO business. The increase in fee income in 2001 of 13% compared to 2000, is mainly due to increases in segregated fund related fees of $32 million and ASO contract revenue of $10 million.



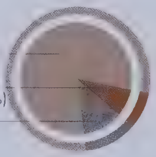
2000 figures are shown in brackets

Paid or Credited to Policyholders

This amount is made up of increases in policy liabilities, claims, surrenders, annuity and maturity payments, dividend and experience refund payments for guaranteed products, but does not include payment amounts for fee-based products (ASO contracts and segregated funds).

In aggregate, $8.3 billion was paid or credited to policyholders in 2001, an increase of 12% compared to 2000.

Policyholder dividends credited in 2001 were $584 million, compared to $536 million in 2000.



2000 figures are shown in brackets

Other

Years ended December 31

(in $ millions)	**2001**	2000	% Change
Total expenses	$ 682	$ 645	6%
Less:Investment expenses	14	15	-7%
Operating expenses	668	630	6%
Commissions	400	390	3%
Premium taxes	67	59	14%
Total	$ 1,135	$ 1,079	5%

Included in other benefits and expenses are operating expenses and commissions, as well as premium taxes.

Operating expenses for 2001 are higher than 2000 levels by 6% or $38 million, including a $20 million provision for expenses in the Participating Policyholder account, related to the settlement agreement, described in note 14 to the financial statements.

Income Taxes

The Company's overall effective income tax rate increased from the prior year from 37.7% to 45.6%. The primary contributors to the higher effective rate were reduced income levels in various lower taxed subsidiaries and strengthening of certain tax provisions in respect of prior years. These items were partially offset by an increase in non-taxable investment income and lower Canadian provincial corporate income tax rates enacted during the year.

Assets

Total assets under administration increased 3% to $53.8 billion when compared to 2000. Segregated funds assets increased $0.4 billion and general funds assets increased $1.4 billion. Growth in general account assets includes $564 million in the Participating Policyholder Account and $799 million growth in the Shareholder Account.

Invested Assets

The Investment Division manages the general funds assets of Great-West and London Life which support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. Great-West and London Life follow prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks. The Investment Division implements strategies within the overall framework of the Company's policies, reviewing and adjusting them on an ongoing basis in light of liability cash flows and capital market conditions. The majority of investments of the general funds are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Net investment income was $2.3 billion in 2001, compared to $2.2 billion in 2000 mainly due to the increase in general fund assets offset by a general decline in interest rates.

Consolidated Balance Sheet
December 31 *(in $ millions)*

	2001 Shareholder	2001 Participating Policyholder	2001 Total	2000 Shareholder	2000 Participating Policyholder	2000 Total
Assets						
Invested assets	$ 14,513	$ 13,257	$ 27,770	$ 14,365	$ 12,716	$ 27,081
Goodwill	1,514	–	1,514	1,575	–	1,575
Other assets	4,870	517	5,387	4,158	494	4,652
Total general funds assets	$ 20,897	$ 13,774	$ 34,671	$ 20,098	$ 13,210	$ 33,308
Segregated funds assets			19,093			18,682
Total assets under administration			$ 53,764			$ 51,990
Liabilities, Policyholder & Shareholder Equity						
Policy liabilities	$ 16,085	$ 11,835	$ 27,920	$ 15,304	$ 11,193	$ 26,497
Net deferred gains on portfolio investments sold	473	445	918	528	482	1,010
Other liabilities	1,732	248	1,980	1,585	308	1,893
Total liabilities	18,290	12,528	30,818	17,417	11,983	29,400
Minority shareholder interests	460	–	460	460	–	460
Capital stock and surplus	2,147	1,246	3,393	2,221	1,227	3,448
Total general funds liabilities, policyholder & shareholder equity	$ 20,897	$ 13,774	$ 34,671	$ 20,098	$ 13,210	$ 33,308

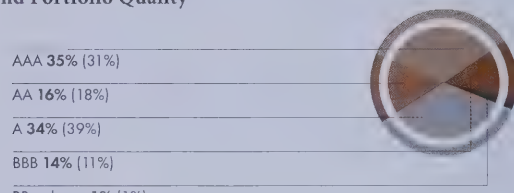
Asset Distribution
December 31 *(in $ millions)*

	2001		2000	
Government bonds	$ 6,124	22%	$ 5,750	21%
Corporate bonds	10,144	36	10,026	37
Mortgages	7,392	27	7,522	28
Stocks	1,252	5	1,021	4
Real estate	1,072	4	1,042	4
Sub-total portfolio investments	25,984		25,361	
Cash & certificates of deposit	353	1	352	1
Policy loans	1,433	5	1,368	5
Total invested assets	$ 27,770	100%	$ 27,081	100%

Bond Portfolio

The total bond portfolio increased to $16.3 billion or 58% of invested assets at December 31, 2001, from $15.8 billion or 58% of invested assets at December 31, 2000. Federal, provincial and other government securities represented 38% of the bond portfolio, up slightly from 37% in 2000. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 85% rated A or higher. The quality of the portfolio reflects the Company's conservative investment and lending policies and continuous monitoring of credit quality.

Bond Portfolio Quality



2000 figures are shown in brackets

Bond Portfolio Quality *(excludes $485 million short-term investments, $707 million in 2000)*

December 31 *(in $ millions)*	**2001**		2000	
Estimated Rating				
AAA	$ 5,575	35%	$ 4,656	31%
AA	2,444	16	2,767	18
A	5,316	34	5,811	39
BBB	2,221	14	1,661	11
BB or lower	227	1	174	1
Total	$ 15,783	100%	$ 15,069	100%

Mortgage Portfolio

The total mortgage portfolio decreased slightly to $7.4 billion or 27% of invested assets in 2001, compared to $7.5 billion or 28% of invested assets in 2000. The mortgage portfolio consisted of 34% commercial loans, 32% multi-family/apartments and 34% single family residential loans. Total insured loans were $3.1 billion or 42% of the mortgage portfolio. It is the Company's practice to acquire only high quality commercial loans meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk rating system, which it uses in its underwriting and credit monitoring processes for commercial mortgages. Residential loans are originated by the Company's mortgage planning specialists in accordance with well-established underwriting standards and are well diversified throughout Canada.

Equity Portfolio

The Company's total equity portfolio was $2.3 billion at December 31, 2001 or 9% of invested assets, up slightly from $2.0 billion or 8% of invested assets a year ago. The equity portfolio consists primarily of high quality publicly traded stocks and institutional-grade income producing real estate located in major Canadian economic centers. The increase in the portfolio is attributable to the Company's investment of $230 million in Investors Group common shares.

Non-performing Loans

The aggregate amount of non-performing loans at December 31, 2001 was $49 million or 0.19% of portfolio investments, compared to $38 million or 0.15% a year ago. The allowances for credit losses totaled $46 million, compared to $43 million a year ago. Additional provisions for future credit losses on assets backing liabilities are included in actuarial liabilities and amounted to $374 million at December 31, 2001 ($327 million at December 31, 2000).

Liquidity

The Company uses a number of techniques to manage liquidity in the general funds. Products are designed to improve the predictability of their liability cash flows and to reduce the risk of disintermediation. Assets are acquired to provide cash flows that match the requirements of liabilities. A portion of assets is held in highly marketable securities that can be sold to meet any unanticipated cash flow requirements prior to maturity. Additional liquidity is available through established lines of credit and the Company's demonstrated ability to access the capital markets for funds.

Liquid assets of $15 billion provide adequate levels of liquidity, particularly when used in combination with the other methods of liquidity management available to the Company.

Liquid Assets
December 31 *(in $ millions)*

	2001		2000	
	Balance Sheet Value	Market Value	Balance Sheet Value	Market Value
Cash & certificates of deposit	$ 331	$ 331	$ 293	$ 293
Highly marketable securities				
Government bonds	5,896	6,077	5,503	5,625
Corporate bonds	6,669	6,563	6,400	6,357
Common/Preferred shares	946	983	783	844
Residential mortgages (insured)	1,265	1,296	1,431	1,422
Total	$ 15,107	$ 15,250	$ 14,410	$ 14,541

Cashable Liability Characteristics
December 31 *(in $ millions)*

	2001	2000
Surrenderable insurance and annuity liabilities		
At market value	$ 2,735	$ 3,104
At book value	11,088	10,949
Total	$ 13,823	$ 14,053

Segregated Funds Assets
December 31 *(in $ millions)*

	2001	2000	1999	1998	1997
Stocks	$ 11,414	$ 11,238	$ 9,025	$ 6,914	$ 6,180
Bonds	4,065	4,249	4,024	3,837	3,094
Mortgages	1,150	1,070	1,128	960	872
Real estate	1,767	1,383	1,119	877	415
Cash and other	697	742	434	371	402
Total	$ 19,093	$ 18,682	$ 15,730	$ 12,959	$ 10,963
Internally-managed	14,480	14,382	12,397	10,754	9,397
Externally-managed	4,613	4,300	3,333	2,205	1,566
Year over year growth	2%	19%	21%	18%	–

Segregated Funds

The Investment Division and the Company's subsidiaries – GWL Investment Management Ltd. (GWLIM), London Life Investment Management Ltd. (LLIM), and GWL Realty Advisors (GWLRA) – are the investment managers for the Company's segregated funds.

During 2001, the Company added 19 segregated funds and assets under management grew by $411 million or 2% to $19 billion at year-end. The growth in segregated funds was tempered with the declines in equity markets, which approximated 3% of beginning assets. In total, the Company offers over 250 segregated funds as part of Individual and Group Retirement Services lines of business, including 155 funds totaling $5 billion managed by 25 external managers as sub-advisors to GWLIM and LLIM.

Outlook – Investment

In contrast to the robust growth posted in 1999 and 2000, this past year was a challenging one for the Canadian economy. A combination of the lagged effects of higher interest rates in 2000 and the impact of the events of September 11, 2001, together with slower world growth and weaker commodity prices, produced a noticeable business slowdown. While final figures have not yet been released, it is likely that real growth averaged less than 1.5% compared with better than 4% in each of previous two years.

Despite the current economic weakness, there are definite grounds for optimism moving into 2002 and beyond. During the past year, central banks in North America and overseas have been extremely stimulative in their monetary policy, both in lowering interest rates and in injecting liquidity into the financial system. At the same time, fiscal policy has become more expansive and energy prices have fallen, significantly bolstering consumer disposable incomes. This should provide a favourable backdrop for consumer spending which has already begun to rebound from its depressed levels following September 11. With some recovery likely in travel and tourism, a pickup in export markets as well as an anticipated firming in commodity prices, the overall economy should strengthen during 2002.

The reported average gain this coming year will likely be relatively low, under 2%, largely due to the post-Spring weakness in 2001. However, quarterly growth during the year may be surprisingly strong as inventories begin to be restocked – in excess of 2% during the first half and better than 3% during the balance of the year. This prospect of a strengthening economy should provide a favourable backdrop for a rebound in corporate profits, carrying into 2003.

Within the context of a strengthening economy, interest rates should begin to level off and spreads should tighten during the year. Stock market prices in general are anticipated to strengthen throughout the year and real estate values should remain relatively stable. For 2002, the Company will maintain its conservative investment and lending policies and continue to closely monitor credit quality. No significant change in credit loss experience is forecast for 2002.

Business Segments – Canada

Group Insurance

Consolidated Net Income

Years ended December 31 *(in $ millions)*	**2001**	2000
Income:		
Premium income	$ 2,026	$ 1,872
Net investment income	215	209
Fee and other income	61	51
Total income	2,302	2,132
Benefits and Expenses:		
Paid or credited to policyholders	1,739	1,630
Other	391	354
Net operating income before income taxes	172	148
Income taxes	67	59
Net income before minority shareholder interests	105	89
Minority shareholder interests of London Insurance Group		
Preferred shareholder dividends	–	–
Minority shareholder interests	–	–
	–	–
Net income before goodwill amortization	105	89
Amortization of goodwill	23	23
Net income	$ 82	$ 66

Summary of Net Income

Attributable to participating policyholder		
Net income before policyholder dividends	$ –	$ –
Policyholder dividends	–	–
Net income – participating policyholder	–	–
Attributable to shareholder		
Preferred shareholder dividends	–	–
Net income – common shareholder	82	66
	82	66
Net income	$ 82	$ 66

Group Insurance – Divisional Summary
Years ended December 31 *(in $ millions)*

	Premiums and Deposits			Sales		
	2001	2000	% Change	**2001**	2000	% Change
Business/Product						
Small/mid-sized case	$ 1,078	$ 967	11%	$ 168	$ 139	21%
Large case – insured	948	905	5%	65	52	25%
– ASO	1,238	1,102	12%	72	52	38%
Total	$ 3,264	$ 2,974	10%	$ 305	$ 243	26%

Net income attributable to common shareholders increased 24% in 2001 to $82 million. The health account experienced strong morbidity gains as a result of improving experience in the medical, drugs and dental sub-lines of business. Price increases implemented in 2000 through adjustments to health care trend factors were the primary driver of the improved result. After experiencing significant morbidity improvements in the long-term disability business in 2000, the morbidity results in this line of business remained steady with pricing improvements offset by increasing incidence rates. The life account experienced improved mortality results, particularly in the small and mid-sized markets where death and waiver claims were lower than expected.

As a result of lower unit costs and an improved ability to recover administrative expenses incurred in the larger market, the expense gain component of earnings also increased in 2001. Interest gains also improved through effective margin management.

Overall premium income, which includes claims from ASO clients, was up 10% with premium income of $3.3 billion in 2001. This growth rate was driven by buoyant sales and improved persistency (client retention).

Sales were up 26% over 2000, with significant gains in all market segments. Sales in the large case and ASO markets were up sharply as the opportunities to add new clients at adequate premium levels improved due to price rationalization. The continued strong sales growth rate in the small and mid-sized case markets can be attributable to Great-West's industry leading distribution networks and market share position. Persistency continued to improve and the results are now close to long term expected levels.

Risk Analysis and Management

The basic risk related to group insurance focuses on the insurer's ability to predict claims experience for the coming year. Most risks facing the group insurance business are mitigated by the fact that most contract rate levels can be adjusted on a yearly basis.

In health care products, claims levels are driven by inflation and utilization. While inflationary trends are relatively easy to predict, claims utilization is less predictable. The impact of aging, which plays a role in utilization, is well documented. However, the introduction of new services, such as breakthrough drug therapies, has the potential to substantially escalate benefit plan costs. The Company manages the impact of these and similar factors through plan designs that limit new costs and through pricing that takes demographic and other trend factors into account.

In disability products, aging and industry characteristics play a role in establishing future claims patterns. However, there is a growing number of disability claims related to stress and mental/nervous disorders, reflecting changes in the economy and in societal attitudes toward these conditions. The incidence of these claims is more difficult to predict and adjudicate, and they tend to be longer in duration than claims related to other disabilities. These risks are managed through pricing and plan designs that emphasize prevention, earlier intervention and return to work programs.

Outlook – Group Insurance

Demutualization and consolidation have resulted in price rationalization in the group marketplace. With Great-West's strategic position, in terms of low unit costs and extensive distribution capacity, the Company is well positioned for significant growth of group insurance premium and net operating income. In this new marketplace environment, the emergence of new technologies combined with the growth of the Internet, are creating new challenges and opportunities to expand the Company's markets and enhance growth. The Group Division will be focused on capitalizing on these opportunities by providing its plan sponsors, plan members and producers with direct and expanded access to its administration system in order to execute real-time transactions. As well, the Internet will facilitate new opportunities to introduce new products, supply information on specific topics and other financial products.

Individual Insurance & Investment Products

Consolidated Net Income
Years ended December 31 (in $ millions)

	2001			2000		
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total
Income:						
Premium income	$ 628	$ 1,326	$ 1,954	$ 574	$ 1,302	$ 1,876
Net investment income	513	926	1,439	513	927	1,440
Fee and other income	311	–	311	279	–	279
Total income	1,452	2,252	3,704	1,366	2,229	3,595
Benefits and Expenses:						
Paid or credited to policyholders	799	1,843	2,642	719	1,863	2,582
Other	374	275	649	395	260	655
Net operating income before income taxes	279	134	413	252	106	358
Income taxes	104	116	220	95	83	178
Net income before minority shareholder interests	175	18	193	157	23	180
Minority shareholder interests of London Insurance Group						
Preferred shareholder dividends	–	–	–	–	–	–
Minority shareholder interests	–	–	–	–	–	–
	–	–	–	–	–	–
Net income before goodwill amortization	175	18	193	157	23	180
Amortization of goodwill	28	–	28	28	–	28
Net income	$ 147	$ 18	$ 165	$ 129	$ 23	$ 152

Summary of Net Income

	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total
Attributable to participating policyholder						
Net income before policyholder dividends	$ –	$ 602	$ 602	$ –	$ 559	$ 559
Policyholder dividends	–	584	584	–	536	536
Net income – participating policyholder	–	18	18	–	23	23
Attributable to shareholder						
Preferred shareholder dividends	–	–	–	–	–	–
Net income – common shareholder	147	–	147	129	–	129
	147	–	147	129	–	129
Net income	$ 147	$ 18	$ 165	$ 129	$ 23	$ 152

Individual Insurance & Investment Products (IIIP) consists of three distinct product divisions – Individual Life Insurance, Living Benefits and Retirement & Investment Services (RIS). Products are distributed through Great-West and Freedom 55 Financial security advisors, as well as independent brokers and intercorporate agreements with other financial institutions.

Net income attributable to common shareholders increased 14% to $147 million, with the strongest growth in RIS and Individual Life Insurance. Results were primarily influenced by favourable mortality experience and effective management of expenses. Although participating life insurance portfolio earnings decreased due to lower investment yields, dividend scales remained the same as in 2000. The Company continues to realize the expense savings it anticipated as a result of the London Life acquisition and the restructuring of its distribution channels. Integration of Great-West and London Life is now complete.

Individual Insurance – Divisional Summary

Years ended (in $ millions)	Individual Life		Living	
	Participating	Non-Participating	Benefits	Total
December 31, 2001				
Sales premium	$ 53	$ 43	$ 22	$ 118
Revenue premium income	1,326	263	118	1,707
December 31, 2000				
Sales premium	$ 57	$ 39	$ 20	$ 116
Revenue premium income	1,302	262	109	1,673

Individual Life Insurance

Individual life insurance sales, as measured by annualized premium, were $96 million in 2001, while revenue premium exceeded $1.5 billion.

Sales premium in 2001 was at the same level as 2000. New annualized premium from term insurance sales increased 5% over 2000. The Company enhanced its term insurance products in 2001 by improving the competitive position of rates with the assistance of reinsurance arrangements and improved mortality experience.

During the last two years, the Company expanded its life insurance product offering through two intercorporate agreements with third parties. These agreements provide universal life, term insurance and non-participating permanent products for the over $500,000 high-net-worth market. Sales of these products increased to $12 million, an 88% increase over 2000, while sales of the Company's universal life products decreased to $6 million in 2001 from $7 million in 2000.

Sales of participating policies decreased 8%, but were strong in the age 50+ market, where consumers are concerned with wealth management. The retrenchment of participating insurance sales in Canada by competitors, spurred by demutualization, continues to bolster the Company's dominant market position of more than 45% of Canadian participating insurance sales.

The Company's sound management of its participating insurance businesses enables it to deliver long-term policyholder dividend performance that is consistently among the best in the industry. Participating portfolio investment returns were lower due to market conditions, which created pressure on earnings. However, favourable mortality, morbidity and expense levels allowed the Company to maintain policyholder dividend scales for 2001. A regulated percentage of in-year distributable surplus in the participating account is credited to the shareholders' account. In 2001, the total amount credited was $15 million.

In 2001, the Company introduced an electronic application for Investors Group consultants, who distribute Great-West's brand of life insurance products. All distribution channels are now equipped with electronic life insurance applications, which enhance administrative and underwriting efficiency, and help grow new business.

Risk Analysis and Management

The most significant risk in the life insurance business is mortality, which has an impact both on claims paid during the year and on the reserves that must be established to fund future claims. The Company manages this risk primarily through effective underwriting practices, developed to support the long-term sustainability of the business. Because of the long-term nature of life insurance contracts, the impact of underwriting practices tends to emerge 20 or 30 years after contracts are issued, when most claims are incurred. Current mortality experience reflects the diligence of underwriting practices over past decades, as well as today's practices.

A current industry risk involves the pricing of the level cost of insurance option within universal life products. The pricing of this option, guaranteed for the life of the policy, requires a guaranteed interest rate and lapse assumption extending over a long period. A small adverse change in actual long-term lapses or investment returns can lead to significant insufficiency in premiums. Management considers the industry's current pricing of this option to be lower than required to produce adequate profitability, and has avoided significant exposure in this market.

Living Benefits

Living Benefits sales, consisting of disability insurance and critical illness insurance, increased by more than 8% in 2001 for a total of $22 million in new annualized premium. This growth was due to sales of critical illness insurance. Overall revenue premium of $118 million increased by 8%, indicating strong persistency.

Critical illness insurance sales of $3 million in new annualized premium exceeded expectations. *Oasis*™, Great-West's critical illness product, was first introduced in 2000 and further enhanced in 2001. Within a short period, Great-West's critical illness insurance has become a leading product in the market.

Disability insurance sales of $19 million in new annualized premium represented a 2% decrease in 2001. During this time, industry sales increased, mainly due to growth in guaranteed standard issue sales. To date, Great-West has not been a player in the guaranteed standard issue market, but will introduce a program to reach this market in 2002.

The self-employed market continues to be the main source of sales, accounting for approximately 70% of sales. This trend is supported by ongoing consolidation within several industries. The self-employed market will continue to be an important source of sales.

Great-West continues to be a leading provider of disability insurance and critical illness insurance.

Risk Analysis and Management
The most significant risk for this line of business is morbidity, which is the incidence and duration of disability insurance claims and the incidence of critical conditions for critical illness insurance.

Disability experience is highly cyclical and changes with economic conditions. A growing number of disability claims relate to stress and mental/nervous disorders, reflecting changes in the economy and attitudes towards these conditions. The incidence of these claims is more difficult to predict and adjudicate than many other conditions. In addition, they tend to last longer than claims related to other disabilities.

The Company manages this risk through its underwriting practices, experience and trend analysis, in addition to its reserve and pricing reviews. Current morbidity experience reflects the diligence of past underwriting practices and pricing, as well as current practices.

Retirement & Investment Services

Divisional Summary [1]
Years ended *(in $ millions)*

	Individual Savings Plans	Group Savings Plans	Group Investment Management	Payout Annuities	Total
December 31, 2001					
Sales premium					
Risk-based products	$ 417	$ 38	$ 9	$ 33	$ 497
Segregated funds	1,916	195	287	–	2,398
Revenue premium income					
Risk-based products	73	141	–	33	247
Segregated funds	1,586	737	308	–	2,631
Assets under administration					
Risk-based products	1,323	1,107	62	2,665	5,157
Segregated funds	10,012	3,838	5,243	–	19,093
Total	$ 11,335	$ 4,945	$ 5,305	$ 2,665	$ 24,250
December 31, 2000					
Sales premium					
Risk-based products	$ 617[2]	$ 59	$ 15	$ 35[2]	$ 726
Segregated funds	2,295	202	1,007	–	3,504
Revenue premium income					
Risk-based products	95[2]	63	–	45[2]	203
Segregated funds	1,817	677	996	–	3,490
Assets under administration					
Risk-based products	1,555[2]	1,148	67	2,767[2]	5,537
Segregated funds	9,494	3,698	5,490	–	18,682
Total	$ 11,049	$ 4,846	$ 5,557	$ 2,767	$ 24,219

(1) *Excludes Quadrus distributed mutual funds sales and assets.*
(2) *2000 values have been restated to reflect current classification.*

The Company's Retirement & Investment Services division experienced mixed sales results in 2001 compared with the previous year. The stock market downturn during the year, together with the events of September 11, 2001, contributed to consumer unease with investment funds and a slight market reversal towards preservation of capital and guarantees.

Within this difficult investment climate, total assets under administration remained stable. Growth continues in segregated funds, increasing 2% over 2000, while total asset growth was offset by the decline in guaranteed product assets due to low interest rates. According to mutual fund asset statistics published by the Investment Funds Institute of Canada (IFIC), total Canadian mutual fund assets increased by only 1.5%, while the Company's individual savings plans segregated funds grew 5.5%.

The Company strengthened its leading market share position for individual segregated funds, increasing to 23.8% from 22.4%.

While gross sales of individual savings plans were below 2000 results, the Company's retention experience improved. This higher retention experience contributed to higher net cash flow for individual savings plans in 2001, even though sales were lower. Net cash flow for individual segregated fund assets was 8% of beginning assets, compared with 7% for the Canadian mutual fund industry in 2001, as published by IFIC.

Group savings plan assets increased despite the poor equity market conditions of 2001. An increase in revenue premium combined with improved retention contributed to significantly improved net cash flow in 2001, compared to 2000. Sales decreased, with fewer large transfers in 2001. Continued enhancements in online services for group plan members contributed to national recognition as a leading Canadian e-business.

Group Investment Management sales for 2001 decreased from the previous year due to fewer large case sales.

The Company now offers 56 segregated funds to individual Freedom 55 Financial clients and 54 segregated funds to individual Great-West clients.

Mutual Funds

For several years, London Life was involved in the mutual funds market through London Financial Centre (LFC). In 2000, the Company rebranded LFC as Quadrus Investment Services (Quadrus), and established it as a mutual fund dealer for Freedom 55 Financial and Great-West investment representatives[†].

In 2001, sales of mutual funds through Quadrus increased 18%, while assets increased 21% over 2000 levels. By year-end, Quadrus had more than 2,600 licensed investment representatives, an increase of 33% over the prior year.

Quadrus Investment Services
Years ended December 31

(in $ millions)	**2001**	2000
Mutual fund sales	$ 138	$ 117
Distributed mutual fund assets	969	803

Quadrus offers 40 mutual funds under the Quadrus Group of Funds brand. Quadrus works closely with Mackenzie Financial Corporation (Mackenzie), a member of the Power Financial Corporation group of companies. This year the exclusive Quadrus Group of Funds moved to an administrative platform managed by Mackenzie, providing our mutual fund clients with broader services. The Company expects significant growth in this relatively new line of business.

† *For the sale of mutual funds, licensed financial security advisors are referred to as "investment representatives".*

Risk Analysis and Management

The Company's investment fund business is fee-based, with revenue and profitability based on the market value of investment fund assets under administration. Fluctuations in fund assets levels occur as a result of both changes in cash flow and general market conditions. Through its wide range of funds, the Company limits its risk exposure to any particular market. As well, the Company advocates its clients follow a long-term asset allocation approach, which reduces the risk of cash flow changes due to market timing. The success of this approach was evident following the events of September 11, 2001, when the Company experienced minimal asset transfers to money market funds, compared with the mutual fund industry.

At December 31, 2001, 73% of individual segregated funds assets were in diversified funds and "fund of funds" investment profiles, which are designed to optimize returns within a given level of risk.

A risk facing the industry has been the trend towards promoting guarantees against losses on segregated fund investments. The new capital requirement introduced by OSFI at the end of 2000 (based on a risk-adjusted set of factors) influenced the industry to adopt significant changes in product design, with a trend towards more conservative guarantees and, in some cases, increased fees for clients. These changes further increased the competitiveness of the Company's products and lowered future risk for the industry as a whole. The vast majority of the Company's guarantees are for 75% of policyholder deposits, less withdrawals at maturity, rather than the more aggressive 100%.

Outlook – IIIP

Research conducted on Great-West's and Freedom 55 Financial's existing client base reveals a tremendous opportunity to offer retirement and investment products to clients who own insurance.

In the fall of 2001, Freedom 55 Financial introduced a new investment planning process, which the Company anticipates will significantly grow financial security advisors' productivity. In addition, managers across Canada are rolling out a new business planning and activity management tool, which will help members of Freedom 55 Financial and Great-West Individual Distribution to customize their 2002 marketing plans and increase productivity.

Canada's "mass affluent" and "high-net-worth" markets have doubled since 1993, and continue to grow quickly. Increasing the Company's share of these markets is a key priority. Within Freedom 55 Financial, the members of the Wealth & Estate Planning Group are specifically positioned to meet the needs of the mass affluent and high-net-worth markets. Members of this group have access to highly-specialized products, planning tools and support services designed to serve high-net-worth clients.

Members of the Wealth & Estate Planning Group and Great-West Individual Distribution are participating in a business planning program to enhance the operation of their wealth management practice in 2002.

Another important initiative will be to provide financial security advisors with customized product support, which will be tailored to their career-stage and target markets. This initiative will increase the average number of products per client and help position financial security advisors as our clients' primary advisor.

Already one of the largest mutual fund dealers in Canada in terms of distribution, Quadrus will look at opportunities to provide an even broader array of products to investors.

As part of its ongoing commitment to client service, the Division will further enhance technology support to financial security advisors so they can automate certain transactions on behalf of their clients.

Reinsurance & Specialty General Insurance

Consolidated Net Income
Years ended December 31 *(in $ millions)*

	2001	2000
Income:		
Premium income	$ 3,455	$ 2,878
Net investment income	473	421
Fee and other income	2	2
Total income	3,930	3,301
Benefits and Expenses:		
Paid or credited to policyholders	3,894	3,205
Other	78	61
Net operating income before income taxes	(42)	35
Income taxes	(12)	(10)
Net income before minority shareholder interests	(30)	45
Minority shareholder interests of London Insurance Group		
Preferred shareholder dividends	–	–
Minority shareholder interests	2	3
	2	3
Net income before goodwill amortization	(32)	42
Amortization of goodwill	8	8
Net income	$ (40)	$ 34

Summary of Net Income

Attributable to participating policyholder		
Net income before policyholder dividends	$ –	$ –
Policyholder dividends	–	–
Net income – participating policyholder	–	–
Attributable to shareholder		
Preferred shareholder dividends	–	–
Net income – common shareholder	(40)	34
	(40)	34
Net income	$ (40)	$ 34

The Company conducts its reinsurance and specialty general insurance business primarily through London Reinsurance Group and London Guarantee, which participate in life, property and casualty, accident and health, annuity coinsurance and specialty general insurance, respectively, in specific niche markets.

The 2001 results include a charge in London Reinsurance Group for $82 million after tax, of which $73 million is attributable to common shareholders, related to estimated claims provision from the events of September 11, 2001.

Net Income Analysis
Years ended December 31
(in $ millions)

	2001	2000
London Reinsurance Group	$ 39	$ 45
– September 11, 2001 charges	(73)	–
London Guarantee	(1)	10
London Life International	–	(22)
Other	(5)	1
Total	$ (40)	$ 34

London Reinsurance Group (LRG)

The Company's reinsurance business is conducted through London Reinsurance Group (LRG). LRG is a leading global provider of specialty finite reinsurance and holds a strategic position in a number of niche retrocession and reinsurance markets. LRG is a composite reinsurer, reinsuring life, property and casualty, accident and health and annuity business primarily in the United States and Europe, through operating companies in the United States, Barbados and Ireland. LRG is a market leader in the U.S. property and casualty finite retrocession market and holds a strong market share in the U.S. life financial reinsurance market.

Prior to the provision for the events of September 11, 2001, net income for 2001 was $6 million lower than 2000. LRG's core reinsurance product lines in the life, annuity and property and casualty businesses performed well. The major underperforming lines were the accident and health reinsurance and syndicated property and casualty portfolios. The Company terminated its participation in the London, England accident and health and the syndicated property and casualty markets in 1999, and is actively managing the runoff of this business.

The majority of the September 11, 2001 loss came from LRG's property catastrophe portfolio that was written on both a financial reinsurance and traditional reinsurance basis. LRG expects to recover these losses over the next three or four years from its multi-year financial reinsurance contracts or from anticipated premium increases on annually renewable traditional contracts. As part of its September 11 loss, LRG established reserves on its books for smaller losses in the accident and health, aviation and casualty portfolios.

London Reinsurance Group – Divisional Summary
Years ended December 31 *(in $ millions)*

	2001		2000	
	Premium Income	Assets	Premium Income	Assets
Line of Business				
Life and property and casualty	$ 3,110	$ 5,550	$ 2,507	$ 4,628
Annuity	150	909	217	997
Accident and health	99	90	86	81
Capital and surplus	–	717	–	758
	$ 3,359	$ 7,266	$ 2,810	$ 6,464
Geographic				
Barbados	$ 3,101	$ 5,766	$ 2,551	$ 5,107
Other	258	1,500	259	1,357
	$ 3,359	$ 7,266	$ 2,810	$ 6,464

Premium income increased in 2001 primarily due to the nature of underlying life and property and casualty reinsurance contracts written in 2001. A greater number of structured reserve transfer deals were written in 2001 than in 2000.

Risk Analysis and Management

LRG continues to manage its own risk through the diversification of its business by client, geographic area and type of risk insured. LRG's base of lower risk financial reinsurance business, together with a conservative approach to underwriting, investment and financial management allows LRG to react to a changing business environment.

LRG's capacity to write financial reinsurance business is determined primarily by its ability to issue letters of credit to clients and maintain a strong liquidity position. LRG has a U.S. $1.5 billion syndicated letter of credit facility.

Outlook – LRG

The events of September 11 will affect the international reinsurance markets for many years to come. Losses suffered by reinsurers and the subsequent influx of capital into new and existing reinsurance entities will create challenges for some and tremendous opportunity for others.

LRG's strategies have not changed as a result of September 11 or the shifting reinsurance markets. LRG will maintain its strategy of offering financial reinsurance and expertise to core clients, primarily on a retrocession basis.

LRG expects the reinsurance market to improve substantially in 2002 with increased premium rates and improved terms and conditions. The amount of new capital being raised, however, injects some caution into LRG's forecast.

The reinsurance business LRG wrote in the syndicated property and casualty and the accident and health markets continues to produce disappointing results while in run-off. LRG expects the negative financial impact of this business to continue to decrease over time.

As a retrocessionaire, LRG continues to develop strong business relationships in the reinsurance and insurance industry on a global basis. LRG underwrites both life and non-life reinsurance contracts using a conservative and disciplined approach to underwriting.

London Guarantee

On August 3, 2001, London Insurance Group announced an agreement to sell its interest in London Guarantee Insurance Company, subject to the satisfaction of certain conditions contained in the agreement. At December 31, 2001, the transaction has not been completed.

Within its core businesses, London Guarantee has historically differentiated itself from the competition through the quality of its underwriting and by maintaining strong relationships with its key brokers. This has permitted the Company to historically achieve levels of growth and underwriting profitability that have compared very favourably with the property and casualty industry in general. 2001 proved to be an exception with respect to underwriting profitability because of claims arising from a single large client.

Total premium income increased to $96 million in 2001 from $68 million in 2000. Premiums from the Company's surety lines grew by more than 22%, reflecting its dominant position in central Canada and its penetration into the northeastern United States. The Company's commitment to remain focused on underwriting quality and key broker relationships will ensure its continued success and status as the largest surety underwriter in Canada.

London Guarantee's premium income from its corporate risk lines grew by more than 25% in 2001, and its performance across Canada remained solid. The Company expects a continuation of this strong rate of growth into 2002.

Risk Analysis and Management

London Guarantee insures a broad range of risks within each of its product lines. Its major markets are diverse and stretch across Canada and into the northeastern United States.

In order to protect its capital and its underwriting results, London Guarantee has risk-sharing arrangements in place with well-established North American and European reinsurance companies.

Corporate

The Corporate segment is mainly used to record the business activities and operations that are not associated with the major business units of Great-West. The Corporate segment includes investment income, expenses and charges related to capital and other assets not associated with major business units, as well as the reconciliation of total income taxes reported for the shareholder account and the internal allocation of income taxes to the major units. Commencing in 2001, the Corporate segment also includes the operations of the United States branch of Great-West.

Consolidated Net Income

Years ended December 31 *(in $ millions)*	2001	2000
Income:		
Premium income	$ 16	$ –
Net investment income	131	116
Fee and other income	17	14
Total income	164	130
Benefits and Expenses:		
Paid or credited to policyholders	33	6
Other	17	9
Net operating income before income taxes	114	115
Income taxes	(3)	23
Net income before minority shareholder interests	117	92
Minority shareholder interests of London Insurance Group		
Preferred shareholder dividends	21	21
Minority shareholder interests	–	–
	21	21
Net income before goodwill amortization	96	71
Amortization of goodwill	2	1
Net income	$ 94	$ 70

Summary of Net Income

	2001	2000
Attributable to participating policyholder		
Net income before policyholder dividends	$ –	$ –
Policyholder dividends	–	–
Net income – participating policyholder	–	–
Attributable to shareholder		
Preferred shareholder dividends	25	31
Net income – common shareholder	69	39
	94	70
Net income	$ 94	$ 70

Net income for the Corporate segment of Canadian shareholder operations in 2001 was $94 million, compared to $70 million for 2000. As a result of the Corporate reorganization on December 31, 2000, $7 million of net income from the United States branch operation of Great-West is included in this result for 2001 (not included in 2000). As well, net income reflects a favourable change in provisions for current and future income taxes due to both lower rates and revisions to the estimated pattern or incidence of future tax to which tax rate reductions apply.

Management's Responsibility

The consolidated financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles including the requirements of the Office of the Superintendent of Financial Institutions Canada. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The financial statements necessarily include amounts that are based on management's best estimate due to dependency on subsequent events. These estimates are based on careful judgements and have been properly reflected in the financial statements. In the opinion of management the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that the financial information produced is relevant and reliable.

The consolidated financial statements were approved by the Board of Directors which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee, which consists entirely of Directors not involved in the daily operations of the Company. The function of the Audit Committee is to:

- Review the quarterly and annual financial statements and recommend them for approval to the Board of Directors.
- Review the systems of internal control and security.
- Recommend the appointment of the external auditors and their fee arrangements to the Board of Directors.
- Review other audit, accounting, financial and security matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors and to the Appointed Actuary.

The Board of Directors of the Company, pursuant to Section 165(2)(i) of the *Insurance Companies Act* (Canada), appoints the Actuary who is:

- Responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives.
- Required to provide an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness and analysis of Company assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion, which is presented following the financial statements.
- Required each year to analyze the financial condition of the Company and prepare a report for the Board of Directors. The analysis tests the capital adequacy of the Company until December 31, 2005, under adverse economic and business conditions.

Deloitte & Touche LLP Chartered Accountants, as the Company's appointed external auditors, have audited the consolidated financial statements. The Auditors' Report to the Policyholders, Shareholders and Directors is presented following the financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position of the Company in accordance with Canadian generally accepted accounting principles, including the requirements of the Office of the Superintendent of Financial Institutions Canada.

Raymond L. McFeetors
President and
Chief Executive Officer

William W. Lovatt
Executive Vice-President and
Chief Financial Officer

January 30, 2002

Summary of Consolidated Operations

(in millions of dollars except earnings per common share)

	For the years ended December 31 2001	2000 (note 2)
Income		
Premium income	$ 7,451	$ 9,976
Net investment income	2,258	3,650
Fee and other income	391	1,641
	10,100	15,267
Benefits and Expenses		
Policyholder benefits	6,584	9,719
Increase in actuarial liabilities	1,018	603
Policyholder dividends and experience refunds	706	1,052
Total paid or credited to policyholders	8,308	11,374
Commissions	400	694
Operating expenses	668	1,814
Premium taxes	67	129
Net operating income before income taxes	657	1,256
Income taxes – current	211	540
– future	61	(90)
Net income before minority shareholder interest	385	806
Minority shareholder interest of London Insurance Group		
Preferred shareholder dividends	21	21
Minority shareholder interest	2	3
	23	24
Net income before amortization of goodwill	362	782
Amortization of goodwill	61	64
Net income	$ 301	$ 718
Earnings per common share	$ 214.90	$ 274.95

Summary of Net Income

	2001	2000
Attributable to participating policyholder *(note 8)*		
Net income before policyholder dividends	$ 602	$ 744
Policyholder dividends	584	717
Net income – participating policyholder	18	27
Attributable to shareholder		
Preferred shareholder dividends	25	37
Net income – common shareholder	258	654
	283	691
Net income	$ 301	$ 718

Consolidated Balance Sheet

(in millions of dollars)

	December 31 2001	December 31 2000
Assets		
Bonds *(note 3)*	$ 16,268	$ 15,776
Mortgage loans *(note 3)*	7,392	7,522
Stocks *(note 3)*	1,252	1,021
Real estate *(note 3)*	1,072	1,042
Loans to policyholders	1,433	1,368
Cash and certificates of deposit	353	352
Funds withheld by ceding insurers	4,477	3,555
Premiums in course of collection	251	381
Interest due and accrued	334	347
Future income taxes *(note 12)*	–	3
Goodwill	1,514	1,575
Other assets	325	366
General funds assets	$ 34,671	$ 33,308
Segregated funds assets	$ 19,093	$ 18,682

Approved by the Board:

J W Burns

James W. Burns
Chairman of the Board

R McFeetors

Raymond L. McFeetors
President and
Chief Executive Officer

Consolidated Balance Sheet

(in millions of dollars)

	December 31 2001	December 31 2000
Liabilities		
Policy liabilities		
Actuarial liabilities *(note 5)*	$ 24,986	$ 23,786
Provision for claims	439	346
Provision for policyholder dividends	299	284
Provision for experience rating refunds	688	558
Policyholder funds	1,508	1,523
	27,920	26,497
Commercial paper and other loans *(note 6)*	705	523
Current income taxes	379	418
Future income taxes *(note 12)*	45	–
Other liabilities	851	952
Net deferred gains on portfolio investments sold *(note 3)*	918	1,010
	30,818	29,400
Minority shareholder interest *(note 7)*	460	460
Policyholder and Shareholder Equity		
Participating policyholder surplus *(note 8)*	1,243	1,225
Capital stock *(note 9)*	1,002	1,161
Shareholder surplus	1,131	1,057
Provision for unrealized gain on translation of net investment in foreign operations		
Participating policyholder *(note 8)*	3	2
Shareholder	14	3
	3,393	3,448
General funds liabilities, policyholder and shareholder equity	$ 34,671	$ 33,308
Segregated funds	$ 19,093	$ 18,682

Consolidated Statement of Surplus

(in millions of dollars)

	For the years ended December 31	
	2001	2000
Participating Policyholder		
Balance, beginning of year		
As previously reported	$ 1,225	$ 1,394
Change in accounting policy *(note 10)*	–	(3)
As restated	1,225	1,391
Net income	18	27
Corporate reorganization *(note 2)*	–	(193)
Balance, end of year	$ 1,243	$ 1,225
Shareholder		
Balance, beginning of year		
As previously reported	$ 1,057	$ 2,131
Change in accounting policy *(note 10)*	–	(44)
As restated	1,057	2,087
Net income	283	691
Acquisition discount – preferred shares	19	–
Corporate reorganization *(note 2)*	–	(1,276)
Dividends to shareholders		
Preferred shareholders	(25)	(37)
Common shareholders	(203)	(408)
Balance, end of year	$ 1,131	$ 1,057

Consolidated Statement of Cash Flows

(in millions of dollars)

	For the years ended December 31	
	2001	2000 (note 2)
Operations		
Net income	$ 301	$ 718
Adjustments for non-cash items:		
Change in policy liabilities	1,433	969
Change in funds withheld by ceding insurers	(922)	(1,129)
Change in current income taxes payable	(39)	115
Future income tax expense	61	(90)
Amortization of goodwill	61	64
Other	231	(551)
Cash flows from operations	1,126	96
Financing Activities		
Issue of debenture in subsidiary	–	200
Repayment of senior debentures in subsidiary	–	(100)
Redemption of preferred shares	(221)	–
Issue of subordinated debt to parent	200	–
Issue (repayment) of commercial paper and other loans	(18)	68
Dividends paid	(228)	(445)
	(267)	(277)
Investment Activities		
Bond sales and maturities	7,837	16,240
Mortgage loan repayments	1,764	1,734
Stock sales	415	528
Real estate sales	13	28
Change in loans to policyholders	(65)	(267)
Change in repurchase agreements	–	(119)
Corporate reorganization	–	(328)
Investment in bonds	(8,570)	(15,545)
Investment in mortgage loans	(1,630)	(1,550)
Investment in stocks	(586)	(805)
Investment in real estate	(36)	(117)
	(858)	(201)
Increase (decrease) in cash and certificates of deposit	1	(382)
Cash and certificates of deposit, beginning of year	352	734
Cash and certificates of deposit, end of year	$ 353	$ 352
Supplementary Cash Flow Information		
Income taxes paid	$ 236	$ 404
Interest paid	$ 29	$ 47

Segregated Funds – Consolidated Assets

(in millions of dollars)

	December 31 2001	December 31 2000
Bonds	$ 4,065	$ 4,249
Mortgage loans	1,150	1,070
Stocks	11,414	11,238
Real estate	1,767	1,383
Cash and certificates of deposit	1,187	1,001
Income due and accrued	78	75
Other assets (liabilities)	(568)	(334)
	$ 19,093	$ 18,682

Segregated Funds – Consolidated Statements of Changes in Assets

(in millions of dollars)

	For the years ended December 31 2001	For the years ended December 31 2000
Segregated funds assets – January 1	$ 18,682	$ 33,728
Additions (deductions):		
Policyholder deposits	2,631	8,101
Net investment income	380	1,939
Net realized capital gains (losses) on investments	(370)	2,661
Net unrealized capital gains (losses) on investments	(555)	(5,115)
Unrealized gains (losses) due to change in foreign exchange rates	33	723
Policyholder withdrawals	(1,880)	(5,266)
Net transfer from General Fund	172	388
Corporate reorganization	–	(18,477)
	411	(15,046)
Segregated funds assets – December 31	$ 19,093	$ 18,682

1. Basis of Presentation and Summary of Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada and include the accounts of its subsidiary companies. The principal subsidiaries at December 31, 2001 are:

London Insurance Group (LIG)
GWL Investment Management Ltd. (GWLIM)
GWL Realty Advisors Inc.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are as follows:

(a) Portfolio Investments

Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized over the period to maturity of the security sold.

Investments in stocks (equity securities) are carried at cost plus a moving average market value adjustment of $23 ($29 in 2000). The carrying value is adjusted towards market value at a rate of 15% per annum. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income at 15% per annum on a declining-balance basis. Market values for public stocks are generally determined by the closing sale price of the security on the exchange where it is principally traded. Market values for stocks for which there is no active market, are determined by management.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of $76 ($60 in 2000). The carrying value is adjusted towards market value at a rate of 10% per annum. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income at 10% per annum on a declining-balance basis. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by independent qualified appraisers.

(b) Derivative Financial Instruments

The Company uses derivative products as risk management instruments to hedge or manage asset and liability positions including revenues within guidelines which prohibit their use for speculative trading purposes.

The accounting policies for derivative financial instruments used for hedging correspond to those used for the underlying hedged position.

(c) Foreign Currency Translation

The Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. United States assets and liabilities have been translated into Canadian dollars at the December 31, 2001 market rate of $1.5930 ($1.5000 in 2000) and all United States income and expense items have been translated at an average rate of $1.5490 ($1.4853 in 2000). The provision for unrealized gain of $17 ($5 in 2000) on foreign currency translation of the Company's net investment in its foreign operations is recorded separately on the Consolidated Balance Sheet.

(d) Loans to Policyholders

Loans to policyholders are shown at their unpaid balance, are fully secured by the cash surrender values of the policies and have effective interest rates ranging from 5% to 9%.

(e) Funds Withheld by Ceding Insurers

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. The Company records an amount receivable from the ceding insurer representing the premium due. Investment revenue on these funds withheld is credited to the Company by the ceding insurer.

1. Basis of Presentation and Summary of Accounting Policies *(cont'd)*

(f) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of net assets of acquired subsidiaries. Goodwill is amortized on a straight-line basis over its useful life but not exceeding periods of 30 years. The Company evaluates the carrying amount of goodwill by reviewing returns and projections of future cash flows of the related businesses. Goodwill is written down when impaired and the amortization periods are revised if it is estimated that the remaining period of benefit has changed.

(g) Income Taxes

The Company uses the liability method of income tax allocation. Current income taxes are based on taxable income and future income taxes are based on taxable temporary differences. The income tax rates used to measure income tax assets and liabilities are those rates enacted or substantially enacted at the balance sheet date.

(h) Shareholder Portion of Participating Earnings

The shareholder portion of participating earnings represents, as restricted by law, a portion of net income before policyholder dividends of the participating account, $15 in 2001 ($25 in 2000). The actual payment of the shareholder portion of participating earnings is legally determined as a percentage of policyholder dividends paid. $32 of shareholder surplus ($32 in 2000) that has been recognized but not paid is dependent on future payment of dividends to participating policyholders.

(i) Actuarial Liabilities

During 2001, the Company adopted the new standards of the CICA Handbook Section 4210 Life Insurance Enterprises – Specific Items. The new standard requires use of the Canadian Asset Liability Method for valuing actuarial liabilities. In prior years, annuity liabilities and London Life's group life and health claim liabilities were determined using cash flow valuation techniques. All other actuarial liabilities were determined using the Policy Premium Method. There is no material effect of this change on the financial statements of the Company.

(j) Pension Plans and Other Post Retirement Benefits

The Company maintains contributory and non-contributory defined benefit pension plans for certain of its employees and agents. The plans provide pensions based on length of service and final average earnings. The cost of the defined benefits is actuarially determined and accrued using the projected benefit method pro-rated on service. The current cost of pension benefits is charged to earnings. Adjustments arising from plan amendments or experience gains or losses are amortized over the expected average remaining service life of the employee/agent group. Experience gains and losses are calculated using a market related value of assets. Plan assets are carried at market values and are held in separate trusteed pension funds.

The Company also provides post retirement health and life insurance benefits to eligible employees, agents and their dependents. During 2000, the Company adopted the recommendations of the CICA Handbook Section 3461 Employee Future Benefits which resulted in the recognition on an accrual basis of the cost of all post retirement benefits other than pensions over the periods of employee service. The cost of the defined benefits is actuarially determined and accrued using the projected benefit method pro-rated on service. The current cost of post retirement health and life insurance benefits is charged to earnings.

(k) Earnings Per Common Share

Earnings per common share is calculated using net income after preferred share dividends and the weighted daily average number of common shares outstanding of 1,200,772 (2,378,666 in 2000).

(l) Geographic Segmentation

The Company's operations are reported as participating and shareholder segments. Operations in other countries are reported with the Canadian segment.

(m) Comparative Figures

Certain of the 2000 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

($ amounts in millions of dollars unless otherwise noted)

2. Corporate Reorganization

On December 31, 2000, the Company's indirect 100% ownership in its United States operating subsidiary Great-West Life & Annuity Insurance Company (GWL&A) was transferred to a newly formed subsidiary of its parent, Great-West Lifeco Inc. As a result of this corporate reorganization, GWL&A is no longer owned by Great-West, or a subsidiary of Great-West. The transfer of assets, liabilities, and surplus was recorded at book value.

The reorganization resulted in the Company's common share capital being reduced by 1,209,292 common shares at a stated value of $497, shareholder surplus being reduced by $1,276, and shareholder provision for unrealized gain on translation of net investment in foreign operations being reduced by $223.

The Company's consolidated operations for the year ended December 31, 2000 included the operations of GWL&A for the full year as follows:

	Great-West Continuing Operations	GWL&A Prior to Reorganization	Great-West Consolidated Total
Net income			
– attributable to participating policyholder	$ 23	$ 4	$ 27
– attributable to preferred shareholder	37	–	37
– attributable to common shareholder	271	383	654
Net Income	$ 331	$ 387	$ 718

As part of the reorganization, Great-West Lifeco Inc. provided certain commitments with respect to, among other things, maintaining regulatory capital levels of its two major subsidiaries, Great-West and GWL&A.

After the reorganization, the Company's U.S. Branch operations consist of a closed block of individual life and disability business as well as group life and health business that represents the U.S. employees of Canadian group policies.

($ amounts in millions of dollars unless otherwise noted)

3. Portfolio Investments

(a) Carrying values and estimated market values of portfolio investments are as follows:

	2001		2000	
	Balance Sheet Value	Market Value	Balance Sheet Value	Market Value
Bonds				
– government	$ 6,124	$ 6,308	$ 5,750	$ 5,861
– corporate	10,144	10,334	10,026	10,005
	16,268	16,642	15,776	15,866
Mortgage loans				
– residential single family	2,542	2,598	2,928	2,907
– residential apartments	2,352	2,472	1,929	2,030
– retail and shopping centres	974	1,066	1,009	1,095
– office buildings	780	849	818	883
– industrial	644	682	722	756
– other	100	133	116	156
	7,392	7,800	7,522	7,827
Stocks				
– public	1,002	1,047	788	891
– private	250	247	233	230
	1,252	1,294	1,021	1,121
Real estate	1,072	1,281	1,042	1,238
	$ 25,984	$ 27,017	$ 25,361	$ 26,052

(b) The significant terms and conditions and interest rate ranges of applicable fixed-term portfolio investments gross of provisions, are as follows:

2001	Carrying Value – Term to Maturity					
	1 Year or Less	1-5 Years	Over 5 Years	Total	Principal Amount	Effective Interest Rate Ranges
Short term bonds	$ 485	$ –	$ –	$ 485	$ 487	0.6%– 3.1%
Bonds	901	5,180	9,727	15,808	18,675	2.4%– 14.5%
Mortgage loans	1,372	2,876	3,165	7,413	7,428	3.7%– 14.0%
	$ 2,758	$ 8,056	$ 12,892	$ 23,706	$ 26,590	

2000	Carrying Value – Term to Maturity					
	1 Year or Less	1-5 Years	Over 5 Years	Total	Principal Amount	Effective Interest Rate Ranges
Short term bonds	$ 707	$ –	$ –	$ 707	$ 704	5.6%– 6.8%
Bonds	813	4,975	9,297	15,085	17,200	3.0%– 14.5%
Mortgage loans	1,715	3,017	2,817	7,549	7,573	4.0%– 14.5%
	$ 3,235	$ 7,992	$ 12,114	$ 23,341	$ 25,477	

($ amounts in millions of dollars unless otherwise noted)

(c) Included in portfolio investments are the following:

(i) Non-performing loans:

	2001	2000
Asset Class		
Bonds	$ 39	$ 20
Mortgage loans	10	14
Foreclosed real estate	–	4
	$ 49	$ 38

Non-performing loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan by loan basis to determine non-performing status. Loans are classified as non-accrual when:

(1) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or

(2) the Company no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or

(3) modified/restructured loans are not performing in accordance with the contract.

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

(ii) Allowance for credit losses:

	2001	2000
Bonds and mortage loans	$ 46	$ 43

(iii) Changes in the allowance for credit losses are as follows:

	2001	2000
Balance, beginning of year	$ 43	$ 178
Provision for credit losses	4	(16)
Recoveries of prior write-offs	2	10
Write-offs	(4)	(63)
Other (including foreign exchange rate changes)	1	38
Corporate reorganization	–	(104)
Balance, end of year	$ 46	$ 43

The allowance for credit losses includes general provisions, established at a level that together with the provision for future credit losses included in actuarial liabilities, reflects the Company's estimate of potential future credit losses.

(d) Investments in real estate include an asset value allowance of $27 ($31 in 2000) which provides for deterioration of market values associated with real estate held for investment.

(e) Also included in portfolio investments are modified/restructured loans of $63 ($77 in 2000) that are performing in accordance with their current terms.

($ amounts in millions of dollars unless otherwise noted)

3. Portfolio Investments *(cont'd)*

(f) Net investment income of $2,258 ($3,650 in 2000) includes amortization of net deferred realized gains (losses) on portfolio investments and unrealized gains (losses) on stocks and real estate as follows:

	2001	2000
Bonds	$ 78	$ 102
Mortgage loans	17	16
Stocks	80	109
Real estate	19	17
	$ 194	$ 244

(g) The balance of net deferred gains (losses) on portfolio investments sold is comprised of the following:

	2001	2000
Bonds	$ 464	$ 534
Mortgage loans	38	44
Stocks	408	427
Real estate	8	5
	$ 918	$ 1,010

(h) Portfolio investments supporting reinsurance contracts:

Included in invested assets are $1,369 ($1,305 in 2000) of assets which are held in various trust and escrow accounts. The assets have been placed in these accounts pursuant to the requirements of U.S. insurance laws or based on terms of the underlying reinsurance treaty, to support liabilities assumed under certain reinsurance contracts.

4. Pledging of Assets

The amount of assets which have a security interest by way of pledging are outlined below by major pledging activity:

	2001	2000
In respect of real estate	$ 125	$ 127
In respect of reinsurance agreements	61	77
	$ 186	$ 204

($ amounts in millions of dollars unless otherwise noted)

5. Actuarial Liabilities

(a) Composition of Actuarial Liabilities and Related Supporting Assets

(i) The composition of actuarial liabilities is as follows:

	Participating Policyholders		Non-Participating Policyholders		Total	
	2001	2000	2001	2000	2001	2000
Group Insurance	$ –	$ –	$ 2,721	$ 2,641	$ 2,721	$ 2,641
Individual Insurance & Investment	10,210	9,575	6,318	6,641	16,528	16,216
Reinsurance	–	–	5,707	4,911	5,707	4,911
Property & Casualty	–	–	30	18	30	18
Total	$ 10,210	$ 9,575	$ 14,776	$ 14,211	$ 24,986	$ 23,786

(ii) The composition of the assets supporting liabilities and surplus are as follows:

	2001					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Individual Insurance & Investment	$ 5,383	$ 2,824	$ 101	$ 2	$ 1,900	$ 10,210
Non-Participating						
Group Insurance	1,545	808	103	2	263	2,721
Individual Insurance & Investment	3,325	2,438	255	19	281	6,318
Reinsurance	1,532	–	73	–	4,102	5,707
Property & Casualty	30	–	–	–	–	30
Other liabilities	3,477	1,258	277	391	889	6,292
Participating policyholder surplus	341	10	248	357	290	1,246
Capital and surplus	635	54	195	301	962	2,147
Total Balance Sheet Value	$ 16,268	$ 7,392	$ 1,252	$ 1,072	$ 8,687	$ 34,671
Fair Value	$ 16,643	$ 7,800	$ 1,293	$ 1,281	$ 8,687	$ 35,704

($ amounts in millions of dollars unless otherwise noted)

5. Actuarial Liabilities *(cont'd)*

	2000					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Individual Insurance & Investment	$ 4,934	$ 2,650	$ 74	$ 2	$ 1,915	$ 9,575
Non-Participating						
Group Insurance	1,389	871	73	2	306	2,641
Individual Insurance & Investment	3,506	2,680	230	20	205	6,641
Reinsurance	1,526	–	71	–	3,314	4,911
Property & Casualty	18	–	–	–	–	18
Other liabilities	3,562	1,272	137	491	612	6,074
Participating policyholder surplus	312	25	224	347	319	1,227
Capital and surplus	529	24	212	180	1,276	2,221
Total Balance Sheet Value	$ 15,776	$ 7,522	$ 1,021	$ 1,042	$ 7,947	$ 33,308
Fair Value	$ 15,866	$ 7,827	$ 1,121	$ 1,238	$ 7,947	$ 33,999

Cash flows of assets supporting actuarial liabilities are matched within reasonable limits. Changes in the fair values of assets are essentially offset by changes in the fair value of actuarial liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus when realized.

The carrying value of assets backing actuarial liabilities plus the portion of deferred gains associated with actuarial liabilities is $25,472 ($24,381 in 2000). The fair value of these assets is $26,114 ($24,730 in 2000).

(b) Nature of Actuarial Liabilities

Actuarial liabilities represent the amounts equal to the carrying value of the assets that, taking into account the other pertinent items on the balance sheet, will be sufficient to discharge the Company's obligations over the term of the liability for its insurance policies and to pay expenses related to the administration of those policies. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, actuarial liabilities have been determined in accordance with the Canadian Asset Liability Method in 2001. In 2000, annuity liabilities and London Life's group life and health claim liabilities were determined using cash flow valuation techniques. All other actuarial liabilities were determined using the Policy Premium Method.

($ amounts in millions of dollars unless otherwise noted)

(c) Changes in Actuarial Liabilities

The change in actuarial liabilities is as follows:

	Canada					
	Participating Policyholders		Non-Participating Policyholders		Total	
	2001	2000	2001	2000	2001	2000
Balance, beginning of year	$ 9,575	$ 8,892	$ 14,019	$ 14,321	$ 23,594	$ 23,213
Corporate reorganization	–	–	192	–	192	–
Reclassification	–	(30)	–	3	–	(27)
Normal change						
– new business	2	9	884	1,166	886	1,175
– in force	709	606	(490)	(1,554)	219	(948)
Material assumption changes	(76)	98	-	(45)	(76)	53
Foreign exchange rate changes	–	–	171	128	171	128
Balance, end of year	$ 10,210	$ 9,575	$ 14,776	$ 14,019	$ 24,986	$ 23,594

	United States					
	Participating Policyholders		Non-Participating Policyholders		Total	
	2001	2000	2001	2000	2001	2000
Balance, beginning of year	$ –	$ 6,167	$ 192	$ 10,656	$ 192	$ 16,823
Normal change						
– new business	–	–	–	444	–	444
– in force	–	410	–	(531)	–	(121)
Foreign exchange rate changes	–	247	–	419	–	666
Acquisitions	–	–	–	131	–	131
Corporate reorganization	–	(6,824)	(192)	(10,927)	(192)	(17,751)
Balance, end of year	$ –	$ –	$ –	$ 192	$ –	$ 192

In both 2001 and 2000 assumption changes were made in the provision for future participating policyholder obligations and, in 2000, excess interest rate risk provisions were released for non-participating policyholders.

In 2000 a reclassification was made between participating policyholder actuarial liabilities and participating policyholder funds on deposit, and excess claim risk provisions were released for non-participating policyholders.

(d) Actuarial Assumptions

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that actuarial liabilities are adequate to cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

5. Actuarial Liabilities *(cont'd)*

The methods for arriving at these valuation assumptions are outlined below:

Mortality

A life insurance mortality study is carried out annually, by country, for Canada and the United States. The results of this study are analyzed and used to update the Company's experience valuation mortality table for life insurance. Where there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality rate. Although mortality improvements have been observed for many years, no future improvements have been assumed for life insurance valuation.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants.

Morbidity

The Company uses industry developed experience tables modified to reflect emerging Company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

Investment Returns

The assets which correspond to the liability categories are segmented. For each segment, projected cash flows from the current assets and policies are used in the Canadian Asset Liability Method to determine actuarial liabilities. Cash flows from assets are reduced to provide for projected asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk.

Expenses

Unit expense studies are updated regularly to determine an appropriate estimate of future cost for the liability type being valued. Expense improvements are not projected. An inflation assumption consistent with the investment return is incorporated in the estimate of future cost.

Policy Termination

Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company has reflected the emerging trend of lower lapsation on lapse supported benefits in its policy liabilities.

Policyholder Dividends

Future policyholder dividends are included in the determination of actuarial liabilities for participating policies. The Actuary has assumed that policyholder dividends will change in the future to reflect the experience of the participating account, consistent with the participating policyholder dividend policy.

(e) Risk Management

(i) Interest rate risk

Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes.

(ii) Credit risk

Credit risk is managed through an emphasis on quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards.

Projected investment returns are reduced to provide for future credit losses on currently held assets. The net effective yield rate reduction averaged 0.19%.

($ amounts in millions of dollars unless otherwise noted)

The following outlines the future asset credit losses provided for in actuarial liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	2001	2000
Participating Policyholders	$ 269	$ 232
Non-Participating Policyholders	105	95
	$ 374	$ 327

(iii) Reinsurance risk

Maximum benefit amount limits (which vary by line of business) are established for life and health insurance and property and casualty insurance and reinsurance is purchased for amounts in excess of those limits. Catastrophic accident reinsurance coverage is in place covering up to $200 in claims from a single event under a consolidated program for Great-West Life, GWL&A, and London Life (not including London Reinsurance Group and London Guarantee Insurance Company).

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by the following amounts:

	Participating Policyholders		Non-Participating Policyholders		
	Canada	United States	Canada	United States	Total
December 31, 2001	$ 9	$ –	$ 1,866	$ –	$ 1,875
December 31, 2000	$ 9	$ –	$ 1,405	$ –	$ 1,414

(iv) Foreign exchange risk

If the assets backing actuarial liabilities are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow the Company to modify an asset position to more closely match actual or committed liability currency.

(v) Liquidity risk

Liquidity risk is the risk that the Company will have difficulty raising funds to meet commitments. The liquidity needs of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 55% of policyholder liabilities are non-cashable prior to maturity or subject to market value adjustments.

(f) Sensitivity of Actuarial Assumptions

The actuarial assumption most susceptible to change in the short run is future investment returns. One way of measuring the interest rate risk associated with this assumption is to determine the effect on the present value of the projected net asset and liability cash flows of the non-participating business of the Company of an immediate 1% increase or an immediate 1% decrease in the level of interest rates. The effect of an immediate 1% increase in interest rates would be to decrease the present value of these projected cash flows by $8. The effect of an immediate 1% decrease in interest rates would be to increase the present value of these net projected cash flows by $2. The level of actuarial liabilities established under the Canadian Asset Liability Method of valuation provides for interest rate movements significantly greater than the 1% shifts shown above.

($ amounts in millions of dollars unless otherwise noted)

6. Commercial Paper and Other Loans

(a) Commercial paper and other loans consist of the following:

	2001		2000	
	Balance Sheet Value	Fair Value	Balance Sheet Value	Fair Value
Short Term				
Revolving credit in respect of reinsurance business with interest rates from 2.2% to 3.9% (6.2% to 7.3% in 2000) maturing within one year	$ 61	$ 61	$ 77	$ 77
Long Term				
Operating:				
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.7% maturing at various dates to 2014	156	165	158	166
Other notes payable at interest rates from 8.0% to 9.0%	25	25	25	25
Sub total	181	190	183	191
Capital:				
6.75% Debentures due August 10, 2015, unsecured	200	210	200	205
6.74% Debentures due November 24, 2036, unsecured	200	196	–	–
Subordinated notes due September 30, 2010, non interest bearing	63	63	63	63
Sub total	463	469	263	268
Total long term	644	659	446	459
Total	$ 705	$ 720	$ 523	$ 536
Interest expense on long term loans	$ 29		$ 47	

(b) Principal Repayments of Long Term Loans

	Operating	Capital	Total
2002	$ 44	$ –	$ 44
2003	59	–	59
2004	27	–	27
2005	19	–	19
2006	1	–	1
2007 and thereafter	31	463	494
	$ 181	$ 463	$ 644

($ amounts in millions of dollars unless otherwise noted)

7. Minority Shareholder Interest

The equity interest of the Company in London Insurance Group was 100% at December 31, 2001 and 2000. The non-controlling interests of London Insurance Group and its subsidiaries are:

	2001	2000
Preferred shareholders	$ 450	$ 450
Minority interests in capital stock and surplus	10	10
	$ 460	$ 460

8. Participating Policyholder

The Company controls a 100% equity interest in London Life Insurance Company (London Life). The participating operations and the participating balance sheets are presented as combined or consolidated in the Company's financial statements. The following tables provide additional information related to the operations and financial position of each entity.

(a) For the year ended December 31

	2001	2000
Participating policyholder		
Net income attributable to participating policyholder before policy dividends		
Great-West	$ 91	$ 84
London Life	511	475
GWL&A	–	185
Policyholder dividends		
Great-West	87	81
London Life	497	455
GWL&A	–	181
Net income	$ 18	$ 27

(b) At December 31

	2001	2000
Participating policyholder		
(i) undistributed surplus		
– Great-West	$ 332	$ 328
– London Life	911	897
	1,243	1,225
(ii) provision for unrealized gain on translation of net investment in foreign operation		
– Great-West	–	–
– London Life	3	2
	$ 1,246	$ 1,227

($ amounts in millions of dollars unless otherwise noted)

9. Capital Stock

Authorized
Unlimited Preferred Shares
Unlimited Common Shares

	2001		2000	
	Number	**Stated Value (thousands)**	Number	Stated Value (thousands)
Issued and outstanding:				
Preferred Shares:				
Series L, 5.20% Non-Cumulative Preferred Shares	**2,093,032**	**$ 52,326**	17,995,512	$ 449,888
Series N, 5.00% Non-Cumulative Preferred Shares	**2,911,955**	**72,799**	2,911,955	72,798
Series O, 5.55% Non-Cumulative Preferred Shares	**6,278,671**	**156,966**	–	–
Balance, end of year	**11,283,658**	**$ 282,091**	20,907,467	$ 522,686
Common Shares:				
Balance, beginning of year	**1,199,894**	**$ 638,038**	2,378,666	$ 979,310
Corporate reorganization	**–**	**–**	(1,209,292)	(497,872)
Issued during year	**21,363**	**81,708**	–	–
Exchanged for Preferred Series K & Series N	**–**	**–**	30,520	156,600
Balance, end of year	**1,221,257**	**$ 719,746**	1,199,894	$ 638,038
Total Capital Stock		**$1,001,837**		$1,160,724

The Series L, 5.20% Non-Cumulative Preferred Shares are redeemable at the option of the Company and are convertible to Series M Preferred Shares at the option of the holder, in each case on October 31, 2007 and on October 31 in every fifth year thereafter, subject to the requisite statutory approval.

The Series N, 5.00% Non-Cumulative Preferred Shares are redeemable at the option of the Company on or after October 31, 2004, and are convertible to Common Shares of the Company at the option of the Company on or after October 31, 2004 and at the option of the holder on or after January 31, 2005, subject to the requisite statutory approval.

The Series O, 5.55% Non-Cumulative Preferred Shares are redeemable at the option of the Company and are convertible into Series P Preferred Shares at the option of the holder on October 31, 2010 and on October 31 in every fifth year thereafter, subject to the requisite statutory approval.

(a) During 2001:

(i) As a result of a joint offer dated December 14, 2000 by 3812774 Canada Inc. and Great-West, 6,278,671 new Great-West Series O Preferred Shares were issued in exchange for 6,278,671 Series L Preferred Shares. As part of this offer, 3812774 Canada Inc. acquired 658,311 Great-West Series L Preferred Shares.

(ii) On December 17, 2001 the Company purchased 100% of 3812774 Canada Inc. from its parent, Great-West Lifeco Inc. by issuing 21,363 common shares at a stated value of $82. The Company concurrently wound up 3812774 Canada Inc., which resulted in the cancellation of 9,623,809 Series L preferred shares of the Company at a stated value of $240. The discount of $2.00 per share or $19 was recorded as an increase in surplus.

(b) During 2000:

(i) As part of the corporate reorganization described in note 2, 1,209,292 Common Shares of the Company were purchased for cancellation at a stated value of $497.

(ii) The Company and its parent company, Lifeco, exchanged 4,000,000 Series K, 7.25% Non-Cumulative Perpetual Preferred Shares and 2,264,000 of the outstanding 5,175,955 Series N, 5.00% Non-Cumulative Preferred Shares for 30,520 Common Shares with a stated value of $157.

($ amounts in millions of dollars unless otherwise noted)

10. Pension Plans and Other Post Retirement Benefits

The major impact of the adoption of the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3461 Employee Future Benefits is the recognition or accrual of the cost of all post retirement benefits other than pensions over the periods of employee service. This change in accounting policy was applied retroactively in 2000 without restatement of prior years' financial statements and, resulted in a charge to participating policyholders' surplus of $3, a charge to shareholders' surplus of $44, an increase in other liabilities of $77 and an increase in future income taxes receivable of $30, all in 2000. There is no material effect on current year net income.

(a) Defined Benefit Pension Plans

(i) The status of the Company's defined benefit pension plans is as follows:

	2001	2000
Assets at fair value	$ 1,176	$ 1,245
Accrued pension obligation	1,039	1,026
Excess of assets over obligations	137	219
Unamortized net experience gains and assumption changes	(58)	(163)
Unamortized net asset at transition	(4)	(8)
Excess funding contribution balance (reflected in Other Assets)	$ 75	$ 48
Significant Weighted-Average Actuarial Assumptions:		
Discount rate	6.75%	7.00%
Expected return on assets	7.75%	8.00%
Assumed compensation increase	5.25%	5.50%

(ii) The change in the fair value of plan assets is as follows:

	2001	2000		
	Total	Canada	United States	Total
Fair value of assets, beginning of year	$ 1,245	$ 1,206	$ 277	$ 1,483
Employee contributions	5	4	–	4
Employer contributions	2	1	–	1
Return on plan assets	13	116	9	125
Benefits paid	(89)	(82)	(7)	(89)
Foreign exchange rate changes	–	–	11	11
Corporate reorganization	–	–	(290)	(290)
Fair value of assets, end of year	$ 1,176	$ 1,245	$ –	$ 1,245

(iii) The change in the accrued benefit obligation is as follows:

	2001	2000		
	Total	Canada	United States	Total
Accrued benefit obligation, beginning of year	$ 1,026	$ 1,001	$ 182	$ 1,183
Current service cost	25	31	11	42
Interest on accrued pension obligation	69	71	14	85
Actuarial (gains) losses	8	5	3	8
Benefits paid	(89)	(82)	(7)	(89)
Foreign exchange rate changes	–	–	8	8
Corporate reorganization	–	–	(211)	(211)
Accrued benefit obligation, end of year	$ 1,039	$ 1,026	$ –	$ 1,026

($ amounts in millions of dollars unless otherwise noted)

10. Pension Plans and Other Post Retirement Benefits *(cont'd)*

(iv) Pension expense is determined as follows:

	2001	2000		
			United	
	Total	Canada	States	Total
Current service cost	$ 25	$ 31	$ 11	$ 42
Employee contributions	(5)	(4)	–	(4)
Employer current service cost	20	27	11	38
Interest on accrued pension obligation	69	71	14	85
Amortization of net experience gains and assumption changes	(15)	(14)	(3)	(17)
Amortization of net asset at transition	(4)	(5)	–	(5)
Expected return on plan assets	(96)	(96)	(26)	(122)
	$ (26)	$ (17)	$ (4)	$ (21)

In Canada, actuarial valuation reports were prepared as at December 31, 1999. In the United States, an actuarial valuation report was prepared during 1999. Actuarial estimates for 2001 were made based on these reports.

(b) Other Pension Plans

(i) The Company also maintains defined contribution pension plans for certain employees and agents the costs of which are as follows:

	2001	2000		
			United	
	Total	Canada	States	Total
Contributions expensed	$ 2	$ 2	$ 9	$ 11

(ii) In addition the Company maintains supplemental executive retirement plans for certain key executives which provide certain benefits upon retirement, disability or death.

	2001	2000		
			United	
	Total	Canada	States	Total
In year expense	$ 2	$ 2	$ 4	$ 6
End of year total liability	$ 22	$ 22	$ –	$ 22

(c) Other Post Retirement Benefits

(i) The status of the Company's other post retirement benefits plans is as follows:

	2001	2000
Accrued other post retirement benefits obligation	$ 191	$ 167
Unamortized experience gain (loss)	(5)	8
Accrued benefit obligation (reflected in Other Liabilities)	$ 186	$ 175

Significant Weighted-Average Actuarial Assumptions:

The discount rate used to determine the accrued benefit obligation was 6.75% at December 31, 2001 and 7.0% at December 31, 2000. In determining the expected cost of health care benefit plans, it was assumed that health care costs would increase by 11.0% in 2001 and that the rate would gradually decrease to a level of 5.0% by 2007.

($ amounts in millions of dollars unless otherwise noted)

(ii) The change in the other post retirement benefits obligation is as follows:

	2001	2000		
	Total	Canada	United States	Total
Accrued other post retirement benefits obligation, beginning of year	$ 167	$ 165	$ 42	$ 207
Current service cost	5	5	4	9
Interest on accrued other post retirement benefit obligation	12	11	3	14
Actuarial (gains) losses	14	(7)	–	(7)
Benefits paid	(7)	(7)	(1)	(8)
Foreign exchange rate changes	–	–	2	2
Corporate reorganization	–	–	(50)	(50)
Accrued other post retirement benefits obligation, end of year	$ 191	$ 167	$ –	$ 167

(iii) Other post retirement benefits expense is determined as follows:

	2001	2000		
	Total	Canada	United States	Total
Current service cost	$ 5	$ 5	$ 4	$ 9
Interest on accrued other post retirement benefit obligation	12	11	3	14
Amortization of unrecognized net obligation at transition	–	–	1	1
	$ 17	$ 16	$ 8	$ 24

11. Related Party Transactions

In the normal course of business, the Company provided insurance benefits amounting to $17 in 2001 ($18 in 2000) to other companies within the Power Financial Corporation group of companies. In all cases, transactions were at market terms and conditions.

During the year, the Company provided and received from Investors Group, a member of the Power Financial Corporation group of companies, certain administrative services. A net operating expense recovery of $4 was included in the 2001 financial statements with respect to those services ($3 in 2000). The Company also provided life insurance and disability insurance products under a distribution agreement with Investors Group. All services were provided on terms and conditions at least as favourable as market terms and conditions.

During 2001, the Company purchased residential mortgages of $278 from Investors Group ($297 in 2000). The Company sold residential mortgages of $26 ($0 in 2000) to segregated funds maintained by the Company and $98 ($18 in 2000) to segregated funds maintained by London Life. London Life purchased residential mortgages of $1 ($15 in 2000) from segregated funds maintained by London Life. All transactions were at market terms and conditions.

On April 19, 2001 the Company completed its previously announced investment of $230 to acquire 9,200,000 Investors Group treasury common shares.

At December 31, 2001 Commercial Paper and Other Loans of the Company include interest-free subordinated loans totalling $63 ($63 at December 31, 2000) from its parent company, Great-West Lifeco Inc. These loans are due on September 30, 2010 and subject to requisite approval may be pre-paid in whole or in part without notice or penalty.

On November 24, 2001, the Company issued $200 principal amount of 6.74% Debentures to Great-West Lifeco (Note 6). Interest expense of $1 on this debt is included in the 2001 financial statements.

The Company has interest bearing notes receivable from GWL&A which have an outstanding balance of $67 ($65 in 2000). $26 due on demand bears interest at the public bond rate (6% and 7% at December 31, 2001 and 2000 respectively). $41 matures on October 1, 2006 and bears interest at 5.4%.

During 2001, the Company received certain administrative services from GWL&A. Operating expenses of $2 are included in the financial statements with respect to those services ($1 in 2000).

($ amounts in millions of dollars unless otherwise noted)

12. Income Taxes

(a) Future income taxes consist of the following taxable temporary differences on:

	2001	2000
Policy liabilities	$ (77)	$ (54)
Portfolio investments	48	102
Other	(16)	(45)
	$ (45)	$ 3

(b) The Company's effective income tax rate is derived as follows:

	2001	2000
Combined basic Canadian federal and provincial tax rate	42.2 %	43.5 %
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(8.3)	(1.8)
Lower effective tax rates on income not subject to tax in Canada	0.6	(5.3)
Investment income tax	4.6	2.4
Large corporations tax	0.2	–
Impact of rate changes on future income taxes	(1.7)	0.1
Miscellaneous	4.9	2.0
Effective income tax rate applicable to current year	42.5	40.9
Increase (decrease) in the income tax rate resulting from prior years' tax adjustments	3.1	(3.2)
Effective income tax rate	45.6 %	37.7 %

($ amounts in millions of dollars unless otherwise noted)

13. Off Balance Sheet Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end user of various derivative financial instruments that are not reported on the balance sheet. All contracts are over-the-counter traded and are with counterparties that are highly rated financial institutions.

(a) The following table summarizes the Company's derivative portfolio and related credit exposure:

2001	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent*	Risk Weighted Equivalent
Interest Rate Contracts					
Swaps	$ 234	$ 8	$ 2	$ 10	$ 2
Options written	–	–	–	–	–
	234	8	2	10	2
Foreign Exchange Contracts					
Forward contracts	62	–	1	1	–
Cross-currency swaps	770	12	48	60	12
	832	12	49	61	12
Other Derivative Contracts					
Equity contracts	286	67	19	36	12
	$ 1,352	$ 87	$ 70	$ 107	$ 26

* *Credit risk equivalent for equity contracts includes a reduction for collateral of $50.*

2000	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent*	Risk Weighted Equivalent
Interest Rate Contracts					
Swaps	$ 583	$ 8	$ 7	$ 15	$ 3
Options written	10	–	–	–	–
	593	8	7	15	3
Foreign Exchange Contracts					
Forward contracts	1,414	11	35	46	10
Cross-currency swaps	765	16	51	67	13
	2,179	27	86	113	23
Other Derivative Contracts					
Equity contracts	330	87	25	34	12
	$ 3,102	$ 122	$ 118	$ 162	$ 38

* *Credit risk equivalent for equity contracts includes a reduction for collateral of $78.*

($ amounts in millions of dollars unless otherwise noted)

13. Off Balance Sheet Financial Instruments *(cont'd)*

(b) The following table provides the use, notional amount and estimated fair value of the Company's derivative portfolio at December 31:

2001

	Contracts Held for Asset/Liability Management				Contracts Held for Other Purposes			
	Notional Amount				Notional Amount			
	1 Year or Less	1-5 Years	Over 5 Years	Total Estimated Fair Value	1 Year or Less	1-5 Years	Over 5 Years	Total Estimated Fair Value
Interest Rate Contracts								
Swaps	$ 23	$ 128	$ 83	$ 6	$ –	$ –	$ –	$ –
Options written	–	–	–	–	–	–	–	–
	23	128	83	6	–	–	–	–
Foreign Exchange Contracts								
Forward contracts	–	–	–	–	62	–	–	(1)
Cross-currency swaps	42	293	435	(79)	–	–	–	–
	42	293	435	(79)	62	–	–	(1)
Other Derivative Contracts								
Equity contracts	49	93	–	62	144	–	–	3
	$ 114	$ 514	$ 518	$ (11)	$ 206	$ –	$ –	$ 2

2000

	Contracts Held for Asset/Liability Management				Contracts Held for Other Purposes			
	Notional Amount				Notional Amount			
	1 Year or Less	1-5 Years	Over 5 Years	Total Estimated Fair Value	1 Year or Less	1-5 Years	Over 5 Years	Total Estimated Fair Value
Interest Rate Contracts								
Swaps	$ 20	$ 154	$ 109	$ 7	$ –	$ –	$ 300	$ –
Options written	–	–	10	–	–	–	–	–
	20	154	119	7	–	–	300	–
Foreign Exchange Contracts								
Forward contracts	65	–	–	(1)	818	531	–	6
Cross-currency swaps	5	262	498	(44)	–	–	–	–
	70	262	498	(45)	818	531	–	6
Other Derivative Contracts								
Equity contracts	53	–	95	84	86	96	–	(2)
	$ 143	$ 416	$ 712	$ 46	$ 904	$ 627	$ 300	$ 4

(c) Realized gains (losses) net of tax derived from derivative contracts held for other purposes, associated with the management of the volatility of the foreign currency translation of the United States operations into Canadian dollars was $7 in 2000.

($ amounts in millions of dollars unless otherwise noted)

14. Contingent Liabilities

The Company and its subsidiaries are subject to individual legal actions arising in the normal course of business. It is not expected that any of these legal actions will have a material adverse effect on the consolidated financial position of the Company.

In addition, at December 31, 2001 there are three proposed class actions against Great-West (one in each of British Columbia, Ontario and Quebec), and six proposed class actions against London Life (four in Ontario, and one in each of British Columbia and Quebec), related to the availability of policyholder dividends to pay future premiums. In June 2001, London Life announced an agreement to settle five such actions. Estimated future settlement benefits of $180 million and expenses related to the administration of the settlement in the amount of $20 million have been fully provided for in existing reserves in London Life's participating account. Actual results could differ from those estimates. The settlement agreement has been approved by the Courts in British Columbia, Quebec and Ontario. The approval is under appeal in Ontario and the provision for the settlement in the participating account is being challenged. There is also a proposed class proceeding in Ontario against the Company, London Insurance Group and London Life regarding the participation of the London Life participating policyholder account in the financing of the acquisition of London Insurance Group in 1997 by Great-West. These actions are in their early stages, and it is difficult to predict their outcome with certainty. However, based on information presently known, it is not expected that any of these actions will have a material adverse effect on the consolidated financial position of the Company.

15. The Events of September 11, 2001

2001 results include a charge of $73 after-tax in the shareholder account and $9 in the participating policyholder account related to claims provisions from the events of September 11, 2001, related to the reinsurance business.

16. Commitments

(a) Clients residing in the United States are required pursuant to their insurance laws to obtain letters of credit issued on London Reinsurance Group's (LRG), a subsidiary of London Life, behalf from approved banks in order to further secure LRG's obligations under reinsurance contracts.

LRG has a syndicated letter of credit facility providing U.S. $1.5 billion in letters of credit capacity. The facility has two tranches. One tranche, in the amount of U.S. $1.1 billion, is for a one year term to November 5, 2002. The second tranche, for U.S. $0.4 billion, has a remaining two year term to October 27, 2003. Under the terms and conditions of the facility, collateralization may be required dependant on the future credit ratings of specific LRG subsidiaries and London Life or if a default under the letters of credit agreement occurs. LRG has issued U.S. $710 million in letters of credit under the one year term tranche and U.S. $395 million under the two year term tranche as at December 31, 2001. LRG had issued U.S. $1.1 billion under a previous letter of credit facility at December 31, 2000. In addition, LRG has other bilateral letter of credit facilities totalling U.S. $40 million (2000 – U.S. $40 million). Bonds and debentures in the amount of Cdn $15 million (2000 – Cdn $13 million) have been pledged to support these letters of credit.

(b) On August 3, 2001, an agreement was entered into for the sale of London Guarantee Insurance Company, subject to the satisfaction of certain conditions contained in the agreement. At December 31, 2001, the transaction has not been completed.

17. Segmented Information

The major reportable segments are the participating and shareholder operations of the Company. The Company operates through Great-West Life and its wholly owned subsidiary London Insurance Group. The major business units within the segments are:

Group Insurance	– life, health and disability insurance products for group clients.
Individual Insurance & Investment Products	– life insurance and disability insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.
Reinsurance & Specialty General Insurance	– life, property and casualty, accident and health, annuity coinsurance and specialty general insurance in specific niche markets.
Corporate	– business activities and operations that are not associated with the major business units of Canadian operations.

($ amounts in millions of dollars unless otherwise noted)

17. Segmented Information (cont'd)

(a) Consolidated Operations

Year Ended December 31, 2001

	Canadian Operations						
	Shareholder					Participating Policyholder	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Individual Insurance & Investment Products	Total Company
Income:							
Premium income	$ 2,026	$ 628	$ 3,455	$ 16	$ 6,125	$ 1,326	$ 7,451
Net investment income	215	513	473	131	1,332	926	2,258
Fee and other income	61	311	2	17	391	–	391
Total income	2,302	1,452	3,930	164	7,848	2,252	10,100
Benefits and Expenses:							
Paid or credited to policyholders	1,739	799	3,894	33	6,465	1,843	8,308
Other	391	374	78	17	860	275	1,135
Net operating income before income taxes	172	279	(42)	114	523	134	657
Income taxes	67	104	(12)	(3)	156	116	272
Net income before minority shareholder interest	105	175	(30)	117	367	18	385
Minority shareholder interest of London Insurance Group							
Preferred shareholder dividends	–	–	–	21	21	–	21
Minority shareholder interest	–	–	2	–	2	–	2
	–	–	2	21	23	–	23
Net income before goodwill amortization	105	175	(32)	96	344	18	362
Amortization of goodwill	23	28	8	2	61	–	61
Net income	$ 82	$ 147	$ (40)	$ 94	$ 283	$ 18	$ 301

Summary of Net Income

	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Participating Policyholder Individual Insurance & Investment Products	Total Company
Attributable to participating policyholder							
Net income before policyholder dividends	$ –	$ –	$ –	$ –	$ –	$ 602	$ 602
Policyholder dividends	–	–	–	–	–	584	584
Net income – participating policyholder	–	–	–	–	–	18	18
Attributable to shareholder							
Preferred shareholder dividends	–	–	–	25	25	–	25
Net income – common shareholder	82	147	(40)	69	258	–	258
	82	147	(40)	94	283	–	283
Net income	$ 82	$ 147	$ (40)	$ 94	$ 283	$ 18	$ 301

($ amounts in millions of dollars unless otherwise noted)

Year Ended December 31, 2000

	Canadian Operations						
	Shareholder					Participating Policyholder	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Individual Insurance & Investment Products	Total Canada
Income:							
Premium income	$ 1,872	$ 574	$ 2,878	$ –	$ 5,324	$ 1,302	$ 6,626
Net investment income	209	513	421	116	1,259	927	2,186
Fee and other income	51	279	2	14	346	–	346
Total income	2,132	1,366	3,301	130	6,929	2,229	9,158
Benefits and Expenses:							
Paid or credited to policyholders	1,630	719	3,205	6	5,560	1,863	7,423
Other	354	395	61	9	819	260	1,079
Net operating income before income taxes	148	252	35	115	550	106	656
Income taxes	59	95	(10)	23	167	83	250
Net income before minority shareholder interest	89	157	45	92	383	23	406
Minority shareholder interest of London Insurance Group							
Preferred shareholder dividends	–	–	–	21	21	–	21
Minority shareholder interest	–	–	3	–	3	–	3
	–	–	3	21	24	–	24
Net income before goodwill amortization	89	157	42	71	359	23	382
Amortization of goodwill	23	28	8	1	60	–	60
Net income	$ 66	$ 129	$ 34	$ 70	$ 299	$ 23	$ 322

Summary of Net Income

Attributable to participating policyholder							
Net income before policyholder dividends	$ –	$ –	$ –	$ –	$ –	$ 559	$ 559
Policyholder dividends	–	–	–	–	–	536	536
Net income – participating policyholder	–	–	–	–	–	23	23
Attributable to shareholder							
Preferred shareholder dividends	–	–	–	31	31	–	31
Net income – common shareholder	66	129	34	39	268	–	268
	66	129	34	70	299	–	299
Net income	$ 66	$ 129	$ 34	$ 70	$ 299	$ 23	$ 322

($ amounts in millions of dollars unless otherwise noted)

17. Segmented Information *(cont'd)*

Year Ended December 31, 2000

	United States Operations						
	Shareholder				Participating Policyholder		
	Employee Benefits	Financial Services	Corporate	Total	Financial Services	Total U.S.	Total Company
Income:							
Premium income	$ 1,785	$ 1,159	$ –	$ 2,944	$ 406	$ 3,350	$ 9,976
Net investment income	136	798	42	976	488	1,464	3,650
Fee and other income	1,117	178	–	1,295	–	1,295	1,641
Total income	3,038	2,135	42	5,215	894	6,109	15,267
Benefits and Expenses:							
Paid or credited to policyholders	1,446	1,650	2	3,098	853	3,951	11,374
Other	1,278	228	24	1,530	28	1,558	2,637
Net operating income before income taxes	314	257	16	587	13	600	1,256
Income taxes	106	82	3	191	9	200	450
Net income before minority shareholder interest	208	175	13	396	4	400	806
Minority shareholder interest of London Insurance Group							
Preferred shareholder dividends	–	–	–	–	–	–	21
Minority shareholder interest	–	–	–	–	–	–	3
	–	–	–	–	–	–	24
Net income before goodwill amortization	208	175	13	396	4	400	782
Amortization of goodwill	3	1	–	4	–	4	64
Net income	$ 205	$ 174	$ 13	$ 392	$ 4	$ 396	$ 718

Summary of Net Income

	Employee Benefits	Financial Services	Corporate	Total	Financial Services	Total U.S.	Total Company
Attributable to participating policyholder							
Net income before policyholder dividends	$ –	$ –	$ –	$ –	$ 185	$ 185	$ 744
Policyholder dividends	–	–	–	–	181	181	717
Net income – participating policyholder	–	–	–	–	4	4	27
Attributable to shareholder							
Preferred shareholder dividends	–	–	6	6	–	6	37
Net income – common shareholder	205	174	7	386	–	386	654
	205	174	13	392	–	392	691
Net income	$ 205	$ 174	$ 13	$ 392	$ 4	$ 396	$ 718

($ amounts in millions of dollars unless otherwise noted)

(b) Consolidated Balance Sheet:

	December 31, 2001			December 31, 2000		
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total
Assets						
Invested assets	$ 14,513	$ 13,257	$ 27,770	$ 14,365	$ 12,716	$ 27,081
Goodwill	1,514	–	1,514	1,575	–	1,575
Other assets	4,870	517	5,387	4,158	494	4,652
Total assets	$ 20,897	$ 13,774	$ 34,671	$ 20,098	$ 13,210	$ 33,308
Segregated funds assets			19,093			18,682
Total assets under administration			$ 53,764			$ 51,990
Liabilities, Policyholder & Shareholder Equity						
Policy liabilities	$ 16,085	$ 11,835	$ 27,920	$ 15,304	$ 11,193	$ 26,497
Net deferred gains on portfolio investments sold	473	445	918	528	482	1,010
Other liabilties	1,732	248	1,980	1,585	308	1,893
Minority shareholder interest	460	–	460	460	–	460
Capital stock & surplus	2,147	1,246	3,393	2,221	1,227	3,448
Total liabilities, policyholder & shareholder equity	$ 20,897	$ 13,774	$ 34,671	$ 20,098	$ 13,210	$ 33,308

18. Acquisitions

General American Group Health and Related Business

Effective January 1, 2000, GWL&A coinsured the majority of General American Life Insurance Company's (General American) group life and health insurance business which primarily consists of administrative services only and stop loss policies. The agreement converted to an assumption reinsurance agreement January 1, 2001. GWL&A assumed approximately $225 of policy reserves and miscellaneous liabilities in exchange for $225 of cash and miscellaneous assets from General American.

Appointed Actuary's Report

To the Policyholders, Shareholders and Directors, The Great-West Life Assurance Company

I have valued the policy liabilities of The Great-West Life Assurance Company for its consolidated balance sheet at December 31, 2001 and their change in its summary of consolidated operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the consolidated financial statements fairly present the result of the valuation.

Allan S. Edwards

Allan S. Edwards
Fellow, Canadian Institute of Actuaries

Winnipeg, Manitoba
January 30, 2002

Auditors' Report

To the Policyholders, Shareholders and Directors, The Great-West Life Assurance Company

We have audited the consolidated balance sheets of The Great-West Life Assurance Company and the statements of segregated funds consolidated assets as at December 31, 2001 and 2000 and the summaries of consolidated operations, the consolidated statements of surplus, the consolidated statements of cash flows and the segregated funds consolidated statements of changes in assets for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds as at December 31, 2001 and 2000 and the results of its operations and its cash flows and the changes in net assets of its segregated funds for the years then ended in accordance with Canadian generally accepted accounting principles, including the accounting requirements of the Superintendent of Financial Institutions Canada.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
January 30, 2002

Summary of Participating Policyholder Dividend Policy

Each holder of a Great-West Life participating policy benefits from the surplus of the participating account at the date of issue, and throughout the life of the participating policy. This surplus was generated entirely from the net financial results of policies issued on a participating basis, both past and present.

The amount of surplus to be distributed at any time will depend upon the consideration of a number of factors, including the past and anticipated future net income of the participating account, the growth of the participating account and the need to retain surplus to provide capital to support the participating policies, the need to maintain consistency in distribution from one time period to another, and the overall solvency of the Company.

Great-West uses the contribution method of dividend determination for classes of participating policies. Premiums are calculated with assumed levels of investment returns, mortality/morbidity costs and expense loadings. To the extent that emerging experience is better than the levels assumed in the premium calculation for a particular class of policies, a contribution to surplus will be made by that class of policies. Distributable surplus for each class of policies is based upon the application to each policy of dividend calculation factors which reflect the contribution to surplus by that class of policies.

A copy of the full text of the Participating Policyholder Dividend Policy as approved by the Board of Directors is available, on request.

Subsidiaries of The Great-West Life Assurance Company

December 31, 2001

Name	Principal Office Address		Carrying Value [1] (000)	Voting Share Ownership (%)
Gold Circle Insurance Company	Winnipeg, Manitoba	$	508	100.0%
GWL Investment Management Ltd.	Winnipeg, Manitoba		2,318	100.0%
GWL Realty Advisors Inc.	Winnipeg, Manitoba		–	100.0%
CGWLL Inc.	Winnipeg, Manitoba		1,711	100.0%
London Insurance Group Inc.	London, Ontario		2,547,088	100.0%

(1) *The carrying value of shares is shown at the Company's equity interest in the subsidiaries*

Five Year Summary

(in millions of dollars except per common share amounts)

	2001*	2000*	1999	1998	1997
At December 31					
Life insurance in force (face amount)	$ 306,884	$ 294,408	$ 471,078	$ 477,234	$ 403,104
Annuities in force (funds held)	24,318	24,331	47,255	43,936	39,026
Health insurance in force (annualized premiums)	3,142	2,817	9,238	9,309	6,594
Total assets under administration	53,764	51,990	87,197	83,101	74,191
For the Year					
Premiums:					
Life insurance, guaranteed annuities and insured health products	$ 3,996	$ 7,098	$ 6,451	$ 6,547	$ 3,676
Reinsurance and property and casualty	3,455	2,878	2,075	2,690	911
Self-funded premium equivalents (ASO contracts)	1,238	8,797	5,464	4,849	3,500
Segregated funds deposits:					
Individual products	1,586	2,776	1,962	2,010	1,098
Group products	1,045	5,325	3,988	3,687	3,080
Total premiums and deposits	$ 11,320	$ 26,874	$ 19,940	$ 19,783	$ 12,265
Condensed Summary of Operations					
Income					
Premium income	$ 7,451	$ 9,976	$ 8,526	$ 9,237	$ 4,587
Net investment income	2,258	3,650	3,578	3,515	2,184
Fee and other income	391	1,641	1,222	1,003	703
Total income	10,100	15,267	13,326	13,755	7,474
Benefits and Expenses					
Paid or credited to policyholders	8,308	11,374	9,936	10,680	5,723
Commissions	400	694	601	538	286
Operating expenses	668	1,814	1,546	1,441	861
Premium taxes	67	129	123	93	71
Provision for integration costs	–	–	–	–	250
Net operating income before income taxes	657	1,256	1,120	1,003	283
Income taxes – current	211	540	378	216	105
– future	61	(90)	(12)	145	(78)
Net income before minority shareholder interest	385	806	754	642	256
Minority shareholder interest of London Insurance Group	23	24	22	16	2
Net income before amortization of goodwill	362	782	732	626	254
Amortization of goodwill	61	64	61	61	8
Net income	$ 301	$ 718	$ 671	$ 565	$ 246

Summary of Net Income

	2001*	2000*	1999	1998	1997
Attributable to participating policyholder					
Net income before policyholder dividends	$ 602	$ 744	$ 747	$ 741	$ 239
Policyholder dividends	584	717	664	675	257
Net income – participating policyholder	$ 18	$ 27	$ 83	$ 66	$ (18)
Attributable to shareholder					
Preferred shareholder dividends	$ 25	$ 37	$ 39	$ 50	$ 34
Net income – common shareholder	258	654	549	449	230
	283	691	588	499	264
Net income	$ 301	$ 718	$ 671	$ 565	$ 246
Earnings per common share	$ 214.90	$ 274.95	$ 231.28	$ 189.38	$ 112.23
Return on common shareholder equity	14.9%	19.1%	17.4%	15.8%	13.2%
Book value per common share	$ 1,527.00	$ 1,417.00	$ 1,369.00	$ 1,280.00	$ 1,118.00
Dividends to common shareholders – per share regular	$ 168.40	$ 140.00	$ 92.00	$ 77.60	$ 66.40
– per share special	$ –	$ 31.53	$ –	$ –	$ –

* *See note 2 Corporate Reorganization*

The Great-West Life Assurance Company is controlled by Great-West Lifeco Inc., a holding company which owns all of the voting interest in Great-West Life. Lifeco is controlled by Power Financial Corporation, which controls, directly or indirectly, approximately 82.2% of Lifeco's outstanding common shares representing approximately 64.99% of the voting interest in Lifeco.

Great-West Life believes that active boards and board committees are the cornerstone of sound corporate governance, and offers the following comments with respect to its governance practices.

Board and Board Committees

The Board of Great-West Life is comprised of 22 Directors, and there are five active Committees of the Board. A total of 34 Great-West Life Board and Board Committee meetings are scheduled for 2002. The mandate of the Board is to supervise the management of the business and affairs of Great-West Life. The business of Great-West Life is carried on by two separate organizations, based respectively in Winnipeg, Manitoba, and London, Ontario.

The management of Great-West Life is supervised by different committees of its Board of Directors.

The mandates of the various Committees are as follows:

- With regard to the Canadian operations, the *Canadian Executive Committee* exercises between meetings of the Board all the powers of the Board except those powers which by law cannot be delegated to an executive committee. Its mandate is to supervise the management of the business and affairs of the Canadian operations and the Canadian Executive Committee appoints senior officers, reviews their performance and determines their compensation. Nine meetings of the Canadian Executive Committee are scheduled for 2002.
- The mandate of the *Canadian Investment and Credit Committee* is to review the investment of funds which support Great-West Life's business in Canada and to ensure that Great-West Life adheres to the investment and lending policies, standards and procedures established in Canada, pursuant to its governing statute, the *Insurance Companies Act* (Canada). Nine meetings of the Canadian Investment and Credit Committee are scheduled for 2002.
- The primary mandate of the *Conduct Review Committee* is to ensure that management has established procedures for the review of transactions with "related parties" as that term is used in the *Insurance Companies Act*, to review certain types of proposed related party transactions, and to approve such related party transactions as it deems appropriate. The Committee also monitors certain corporate policies and procedures, including procedures with respect to conflicts of interest and privacy. Four meetings of the Conduct Review Committee are scheduled for 2002.
- The primary mandate of the *Audit Committee* is to review the quarterly and annual financial statements, public disclosure documents containing financial information, and reports to be filed with regulatory authorities in connection with the financial condition of Great-West Life, to review and monitor the role of the external auditors, and to ensure that appropriate internal control procedures are in place. The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. Four meetings of the Audit Committee are scheduled for 2002.
- The mandate of the *Corporate Management Committee* is to review the management of matters relating to corporate organization, capital structure and overall adequacy of capital. Four meetings of the Corporate Management Committee are scheduled for 2002.

Board and Board Committee Composition

The compositions of the Board of Great-West Life and of the Committees of the Board satisfy the requirements of the *Insurance Companies Act*, including those relating to the number of directors who are "affiliated" and "unaffiliated", the number who are "shareholder" and "policyholder" directors (as all of those terms are used in the *Insurance Companies Act* and Regulations), and the number who are employees and Canadian residents.

A majority of the 22 Directors on the Board of Great-West Life are "unrelated" to Great-West Life. In addition, a number of Directors are free from any interests in, or relationships with, either Great-West Life or its controlling shareholder.

A majority of the Directors on all Committees of the Board are unrelated to Great-West Life, and the Audit and Conduct Review Committees are comprised entirely of non-management Directors. The Chairman of the Board and the Chairmen of the Board Committees are all non-management Directors.

Board Operation

The Chairman's responsibility towards the efficient operation of the Board includes the recommendation, after consultation, of appropriate candidates for nomination to the Board, the assessment of the effectiveness of the Board as a whole, of the Committees of the Board, and of the contributions of individual Directors, and making recommendations, after consultation, concerning Directors' compensation and any changes that would improve the workings of the Board, including increases or decreases in its size, as well as the development of Great-West Life's approach to governance issues.

Committees may, at the expense of Great-West Life, retain such professional advisors as the Committees deem appropriate for purposes of carrying out their duties and responsibilities.

New members of the Board are provided with an orientation concerning Great-West Life and its business activities.

Management is expected to develop strategic plans for Great-West Life's operations. The Executive Committee is involved on an ongoing basis in reviewing and approving the strategic plans, as well as the annual business plans incorporating business objectives and key results for which management is responsible every year. The strategic plans and annual business plans are submitted to the Board for ratification. Management is expected to implement the plans, achieve the objectives and results, and to report regularly to the Board and the Executive Committee on its progress.

Shareholder and Policyholder Matters

In addition to the public disclosure documents which Great-West Life is required to produce by various regulatory authorities, Great-West Life communicates with shareholders and policyholders through quarterly reports, the annual report and press releases when appropriate.

Board Of Directors

As of December 31, 2001

James W. Burns, O.C. 3, 4, 5, 6, 7
Chairman of the Board of the Company
Deputy Chairman,
Power Corporation of Canada

Gail S. Asper 1
Corporate Secretary
CanWest Global Communications Corp.

Orest T. Dackow 3, 4, 5, 6, 7
Corporate Director

André Desmarais 3, 4, 5, 6, 7
President and Co-Chief Executive Officer,
Power Corporation of Canada
Deputy Chairman, Power Financial Corporation

The Honourable
Paul Desmarais, P.C., C.C.
Chairman of the Executive Committee,
Power Corporation of Canada

Paul Desmarais, Jr. 3, 4, 5, 6, 7
Chairman and Co-Chief Executive Officer,
Power Corporation of Canada
Chairman, Power Financial Corporation

Robert Gratton 3, 4, 5, 6, 7
President and Chief Executive Officer,
Power Financial Corporation

Charles H. Hollenberg, M.D., O.C. 2, 3, 7
Senior Consultant,
Cancer Care Ontario

Daniel Johnson 2, 3, 7
Of Counsel to McCarthy Tétrault LLP

Kevin P. Kavanagh 3, 4, 7
Corporate Director
Chancellor, Brandon University

J. Blair MacAulay 5, 7
Of Counsel to Fraser Milner Casgrain LLP

The Right Honourable
Donald F. Mazankowski, P.C., O.C. 3, 5
Corporate Director
Business Consultant

William T. McCallum 4, 6, 7
President and Chief Executive Officer
Great-West Life & Annuity Insurance Company
Co-President & Chief Executive Officer,
Great-West Lifeco Inc.

Raymond L. McFeetors 3, 5, 7
President and Chief Executive Officer
of the Company
President and Chief Executive Officer,
London Life Insurance Company
Co-President & Chief Executive Officer,
Great-West Lifeco Inc.

Randall L. Moffat 1
Corporate Director

Jerry E.A. Nickerson 1, 7
Chairman of the Board,
H.B. Nickerson & Sons Limited

Gordon F. Osbaldeston, P.C., C.C. 2, 3
Corporate Director

The Honourable
P. Michael Pitfield, P.C., Q.C. 4, 6, 7
Vice-Chairman,
Power Corporation of Canada
Member of the Senate of Canada

Michel Plessis-Bélair, F.C.A. 1, 3, 4, 5, 6, 7
Vice-Chairman and Chief Financial Officer,
Power Corporation of Canada
Executive Vice-President and Chief Financial Officer,
Power Financial Corporation

H. Sanford Riley
Chairman of the Board,
Investors Group Inc.

Guy St-Germain, C.M. 1, 3, 5
President,
Placements Laugerma Inc.

Gérard Veilleux, O.C. 1
Vice-President,
Power Corporation of Canada

1 *Audit Committee*
2 *Conduct Review Committee*
3 *Canadian Executive Committee*
4 *United States Executive Committee*
5 *Canadian Investment and Credit Committee*
6 *United States Investment and Credit Committee*
7 *Corporate Management Committee*

Executive Officers

Raymond L. McFeetors
President and Chief Executive Officer

Denis J. Devos
Executive Vice-President,
Individual Insurance and Investment Products

Allan S. Edwards
Senior Vice-President and Actuary

James R. Grant
Executive Vice-President, Group

William W. Lovatt
Executive Vice-President and
Chief Financial Officer

Peter G. Munro
Executive Vice-President and
Chief Investment Officer

Ron D. Saull
Senior Vice-President and
Chief Information Officer

Sheila A. Wagar
Senior Vice-President,
General Counsel and Secretary

Administrative Services Only An arrangement where the insurer provides administrative services for a plan sponsor's health benefits plan, such as maintaining enrollment information and adjudicating claims. The plan sponsor bears some or all of the claim risk.

Annuity A contract providing income payments at regular (usually monthly) intervals for a specified period. A life annuity provides payments during the lifetime of the annuitant. An annuity certain provides periodic payments over a specified number of years and is not dependent on any person's survival. An annuity consideration is the payment, or series of payments, made to purchase an annuity. An annuity can be purchased as either registered or non-registered funds.

Cash value The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

Critical illness insurance – Provides a one-time lump sum benefit to an insured who has been diagnosed with a critical condition. Normally, the insured must be diagnosed with a condition listed in the policy and live a certain period of time following the diagnosis, to collect benefits.

Derivative financial instruments Financial contracts that derive their value from the value of an underlying asset or index, such as interest rates, exchange rates, equities or commodities. Derivative transactions are conducted in the over-the-counter market directly between two parties or on regulated exchange markets.

Swaps are contractual agreements between two parties to exchange a rate of return on one investment for the rate of return on another investment such as a floating rate of interest for a fixed rate of interest. For cross-currency swaps, floating interest payments of one currency are exchanged for floating interest payments in a different currency. Equity index swaps are contracts to pay or receive cash flows based on the increase or decrease in the underlying index.

Options convey the right, but not the obligation, to either buy or sell a specific amount of a financial instrument at a fixed price either at a fixed future date or at any time within a fixed future period. For options purchased, a premium or fee is paid for the right to exercise the option.

Forwards and Futures are contracts to either buy or sell a specified currency or financial instrument at a specified price and date in the future. Forward contracts are customized and transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

Notional Amount is the face or principal value upon which the performance of a derivative contract is based. In general, notional values are not paid or received.

Maximum Credit Risk is the current replacement cost of all outstanding derivative contracts with a positive (receivable by the company) value.

Future Credit Exposure represents the potential for future changes in value based upon a formula prescribed by the Superintendent of Financial Institutions Canada.

Credit Risk Equivalent represents the total of maximum credit risk and future credit exposure, less collateral.

Risk Weighted Balance represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty on a basis prescribed by the Superintendent of Financial Institutions Canada.

Total Estimated Fair Value is the net of contracts in a receivable position (maximum credit risk) and those in a payable position.

Disability insurance (DI) A type of health insurance designed to compensate insured people for a portion of the income they lose because of a disabling injury or illness. Generally, benefits for disability insurance are in the form of monthly payments. Individual DI policies can be cancellable, where the insurer can terminate the policy at any time by providing written notice and refunding any advance premiums; or non-cancellable, where the insurer must renew the policy until the insured reaches a certain age, and cannot increase premiums.

Experience refund The portion of a group insurance premium that is returned to a group policyholder whose claims experience is better than had been expected when the premium was calculated.

Group Insurance Operations A business unit of Great-West Life that markets life, health and disability insurance products for group clients.

Individual Insurance & Investment Products (IIIP) A business unit of Great-West Life in Canada, that markets life insurance and disability income insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.

Life income funds (LIFs) Plans which provide flexible options for receiving income from a company pension plan.

Life insurance in force (face amount) The amount stated as payable at the death of the insured or at the maturity of the policy.

Living Benefits A business unit of the Company in Canada that markets disability and critical illness insurance for individual clients.

Minimum Continuing Capital and Surplus Requirement (MCCSR) A formula to determine the adequacy of an insurance company's capital, specified by the Office of the Superintendent of Financial Institutions Canada.

Morbidity rate The likelihood that a person of a given age will suffer an illness or disability. The premium that a person pays for health insurance is based in part on the morbidity rate for that person's age group.

Mortality rate The frequency with which death occurs among a defined group of people. The premium that a person pays for life insurance is based in part on the mortality rate for that person's age group.

New annualized premium A measure of new sales, equal to the full first-year premium on all sales made during the year.

Non-participating life insurance Life insurance issued on which policyholders do not share in any surplus earnings distributed by the company. No policy dividends are payable. The premium is based on an estimate of future costs and investment earnings very close to what the company feels most likely to occur, with a margin for contingencies and profit.

OSFI Office of the Superintendent of Financial Institutions Canada. The federal agency responsible for regulating and supervising banks, insurance, trust, loan and investment companies and co-operative credit associations that are licensed or registered by the federal government.

Participating life insurance (Par) Life insurance on which policyholders share in the surplus earnings attributable to the participating business. Dividends can be left on deposit in the policy as part of the cash value or can be used to purchase additional coverage, pay premiums or make loan payments.

Persistency A measure of how long a policy or block of policies remains in force.

Policy liabilities Amounts set aside today which when combined with future premiums and investment income, will provide for future claims and expenses on in force policies.

Policyholder dividend A refund to the policyholder each year of a portion of the premium based on the company's experienced and anticipated costs. Policyholder dividends are not guaranteed but depend on mortality experience, investment earnings and other factors and may be increased or decreased at the discretion of the company.

Policyholder surplus The excess of assets over liabilities in the participating policyholder account.

Premium income The income from sales of insurance policies and retirement savings and income products.

RRIF Registered retirement income funds. Savings plans which can be purchased using RRSP funds and pay out as long as the fund balance supports the payments. RRIF payments are taxable while the remaining funds are tax sheltered.

Reinsurance contracts These contracts are legal agreements in which an insurer (cedant) transfers certain risks on insurance policies to another insurance company (the reinsurer).

RRSP Registered Retirement Savings Plan. A plan enabling Canadian citizens to establish tax-sheltered accounts to accumulate money toward retirement. Income taxes on contributions and earnings are deferred until the funds are withdrawn.

Segregated funds Investment funds managed separately from an insurance company's general funds, on behalf of clients. Unlike mutual funds, a percentage of the principal invested may be guaranteed in the event of the death of the investor.

Term life insurance Insurance which provides protection for a specific length of time, such as one, five, 10 or 20 years. Most plans allow the policyholder to renew for another term or convert the policy to whole life insurance. The cost of term insurance increases as the policyholder ages. Term insurance does not generally have a cash value.

Universal life insurance A whole life insurance product in which the mortality, investment and expense factors used to calculate premium rates and cash values are stated separately in the policy. Expense charges are deducted from the premium, and the balance is credited to the policy's cash value. Each month, the insurer deducts mortality costs from the cash value and credits the remainder of the cash value with interest. The policyholder can specify the premium amount, and change the death benefit after the policy has been issued, subject to restrictions established by the company.

Whole life insurance Insurance which protects the policyholder throughout his or her lifetime, providing death benefits and building cash value. The policyholder may borrow funds against the value of the policy. The premium paying period may vary, e.g., payments may end after 20 years or at age 65. The cash value continues to build after premiums are fully paid. Also called traditional or permanent insurance.

Policyholder and Shareholder Information

Head Office

100 Osborne Street North, Winnipeg, Manitoba R3C 3A5

Stock Exchange Listings

Symbol: GWL.PR.L, GWL.PR.O

The Preferred Shares Series L and O are listed on the Toronto Stock Exchange.

Transfer Agent and Registrar

Computershare Trust Company of Canada
1190-201 Portage Avenue, Winnipeg, Manitoba R3B 3K6

Dividends

The Preferred Shares Series L, N, O - Dividend record dates are usually between the 14th and 17th of January, April, July, and October. Dividends are paid the last day of January, April, July, and October.

Annual Meeting

April 25, 2002 at a location in Winnipeg as specified in the notice of meeting.

Investor Information

For financial information about Great-West Life, please contact the Chief Financial Officer at (204) 946-7341

For copies of the Annual or Quarterly Reports, contact the Secretary's Office at (204) 946-8366 or visit our Web site: **www.gwl.ca**

Designed and Produced by SUTTON JAVELIN Communications. Printed by Kromar Printing Ltd. Printed in Canada

THE
Great-West Life
ASSURANCE COMPANY

E987(01LIFE)-03/02